Supreme Court, U.S.
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No. _____

In The

Supreme Court of the United States

CRATER CORPORATION,

Petitioner,

v.

LUCENT TECHNOLOGIES, INC., AMERICAN TELEPHONE AND TELEGRAPH COMPANY, AND UNITED STATES,

Respondents.

On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

PETITION FOR A WRIT OF CERTIORARI

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QUESTIONS PRESENTED FOR REVIEW

1. Whether, under *U.S. v. Reynolds*, 345 U.S. 1 (1953), the state secrets privilege may be invoked to prevent the discovery of relevant evidence when the head of the government department having control of the matter has not personally reviewed or considered the evidence for which the privilege is being claimed, and when that evidence remains in the hands of third parties and cannot be identified or described by the government.

2. Whether the state secrets privilege may be applied to bar discovery of relevant materials that do not constitute state or military secrets.

3. Whether a district court may bar the discovery of relevant evidence based on the state secrets privilege without first conducting an independent inspection and evaluation of the evidence for which the privilege is claimed, when the plaintiff's need for the evidence is great and the government's claim of privilege is dubious.

4. Whether a district court may make its determination as to the applicability of the state secrets privilege based on improper, *ex parte* communications with a government attorney.

5. Whether 28 U.S.C. §455(a) requires the disqualification of a federal district judge who has engaged in improper, *ex parte* communications with a government attorney regarding the merits of a pending case and pending motions.

6. Whether a federal district court may grant a motion to dismiss based on matters outside the pleadings when that motion is supported only by inadmissible

QUESTIONS PRESENTED FOR REVIEW – Continued

evidence in the form of (1) an affidavit that is not based on the affiant's personal knowledge, and (2) evidence that is submitted by the movants for the first time with their reply brief, where the non-moving party has no opportunity to respond to that evidence.

LIST OF PARTIES

All parties are listed in the caption.

CORPORATE DISCLOSURE STATEMENT

Petitioner is not publicly traded and has no parent or subsidiary or affiliated corporations. There is no publicly traded company that owns 10% or more of Petitioner's stock.

TABLE OF CONTENTS

Page

QUESTIONS PRESENTED FOR REVIEW i

LIST OF PARTIES iii

CORPORATE DISCLOSURE STATEMENT iv

TABLE OF CONTENTS v

TABLE OF AUTHORITIES viii

OPINIONS BELOW 1

JURISDICTIONAL STATEMENT 2

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED 2

STATEMENT OF THE CASE 5

REASONS FOR GRANTING THE WRIT 13

I. This Court should grant certiorari because the lower courts' orders ignored the decisional law of this Court, conflicted with decisions in other circuits, and wrongly applied the state secrets privilege to prevent Crater from obtaining relevant evidence in support of its case 13

II. This Court should grant certiorari because Judge Webber violated both 28 U.S.C. §455(a) and Crater's due process rights by failing to disqualify himself from this case, and the federal circuit departed from established case law in upholding that decision 23

III. This Court should grant certiorari because the district court and the federal circuit substantially departed from federal standards for granting motions submitted on evidence outside the pleadings 25

CONCLUSION 30

APPENDIX

TABLE OF CONTENTS

Page

Opinion, United States Court Of Appeals For The Federal Circuit, Decided June 6, 2001 ..... 1a

Judgment, United States Court Of Appeals For The Federal Circuit, Entered June 6, 2001 ..... 21a

Memorandum And Order, United States District Court, Eastern District Of Missouri, Eastern Division, Filed August 25, 1999 ..... 22a

Judgment, United States District Court, Eastern District Of Missouri, Eastern Division, Filed August 25, 1999 ..... 30a

Memorandum And Order, United States District Court, Eastern District Of Missouri, Eastern Division, Filed August 19, 1999 ..... 31a

Motion Hearing, United States District Court, Eastern District Of Missouri, Eastern Division, July 2, 1999 ..... 33a

Hearing On Motions, In The United States District Court, For The Eastern District Of Missouri, Eastern Division, June 17, 1999 ..... 48a

Memorandum And Order, United States District Court, Eastern District Of Missouri, Eastern Division, Filed June 9, 1999 ..... 60a

In Chambers Hearing On Motions, United States District Court, Eastern District Of Missouri, Eastern Division, May 4, 1999 ..... 65a

Order, United States District Court, Eastern District Of Missouri, Eastern Division, Filed March 24, 1999 [Filed Separately Under Seal] 80a

APPENDIX

TABLE OF CONTENTS – Continued

Page

Order, United States District Court, Eastern District Of Missouri, Eastern Division, Filed March 1, 1999 ..... 82a

Order Of Hearing, United States District Court, Eastern District Of Missouri, Eastern Division, Filed February 24, 1999 ..... 85a

Order, United States District Court, Eastern District Of Missouri, Eastern Division, Filed September 17, 1998 ..... 87a

Order Denying Rehearing, United States Court Of Appeals For The Federal Circuit, Filed September 17, 2001 ..... 90a

In Chambers Hearing On Motions, United States District Court, Eastern District Of Missouri, Eastern Division, August 19, 1999 ..... 92a

Deposition Of Paul Rominski, United States District Court, Eastern District Of Missouri, Eastern Division, July 30, 1999 ..... 96a

Affidavit Of Steven P. Van Keuren, May 7, 1999 ... 107a

In Chambers Status Conference, United States District Court, Eastern District Of Missouri, Eastern Division, March 16, 1999 ..... 113a

Declaration And Assertion Of Military And State Secrets Privilege Of Richard J. Danzig, Secretary Of The Navy, March 12, 1999 ..... 117a

Affidavit Of Paul M. Rominski, August 14, 1998 .. 121a

TABLE OF AUTHORITIES

Page

CASES

A.C.L.U. v. Brown, 619 F.2d 1170 (7th Cir. 1980) 19

Aetna Life Ins. Co. v. Lavoie, 475 U.S. 813 (1986) 21, 23, 25

Automatic Radio Mfg. Co. v. Hazeltine Research, Inc., 339 U.S. 827 (1950) 26

Bareford v. Gen. Dynamics Corp., 973 F.2d 1138 (5th Cir. 1992) 17

Black v. TIC Inv. Corp., 900 F.2d 112 (7th Cir. 1990) 27

Bowles v. U.S., 950 F.2d 154 (4th Cir. 1991) 15, 17

Cia. Petrolera Caribe, Inc. v. Arco Caribbean, Inc., 754 F.2d 404 (1st Cir.P.R. 1985)..... 27

Crescent Towing & Salvage Co. v. M/V ANAX, 40 F.3d 741 (5th Cir. 1994)..... 26

Ellsberg v. Mitchell, 709 F.2d 51 (D.C. Cir. 1983)..... 17

Forbes v. Walkup, 1996 U.S. App. LEXIS 20072 (7th Cir. 1996) 28

Friedel v. Madison, 832 F.2d 965 (7th Cir. 1987)..... 27

Great Western Sugar Co. v. Mrs. Allison's Cookie Co., 563 F. Supp. 430 (E.D. Mo. 1983) 27

Hall v. Small Business Admin., 695 F.2d 175 (5th Cir. 1983)..... 24

In re Murchison, 349 U.S. 133 (1955)..... 21

In re Selig Marek, 609 N.E.2d 419 (Ind. 1993) 21

Jones v. Hess, 681 F.2d 688 (10th Cir. 1982) 21, 22

Kasza v. Browner, 133 F.3d 1159 (9th Cir. 1998)..... 17

TABLE OF AUTHORITIES – Continued

Page

Keystone Retaining Wall Sys., Inc. v. Westrock, Inc., 792 F. Supp. 1552 (D. Or. 1991) 27, 28

Kinoy v. Mitchell, 67 F.R.D. 1 (S.D.N.Y. 1975) 15, 17

Lewis v. Zilog, Inc., 908 F. Supp. 931 (N.D. Ga. 1995) 27

Liljeberg v. Health Services Acquisition Corp., 486 U.S. 847 (1988) 21, 23, 24

Murphy v. Village of Hoffman Estates, 1999 WL 160305 (N.D. Ill. 1999) 27

Nat'l Lawyers Guild v. Att'y Gen., 96 F.R.D. 390 (S.D.N.Y. 1982) 15, 17, 20

Nichols v. Alley, 71 F.3d 347 (10th Cir. 1995) 24

Northrop Corp. v. McDonnell Douglas Corp., 751 F.2d 395 (D.C. Cir. 1984) 15, 16, 17, 18

Oseguera v. Winters, 2001 U.S. App. LEXIS 23028 (9th Cir. 2001) 28

Patterson v. FBI, 893 F.2d 595 (3d Cir. 1990) 15

Potashnick v. Port City Constr. Co., 609 F.2d 1101 (5th Cir. 1980) 25

Rinehart v. Brewer, 561 F.2d 126 (8th Cir. 1977) .. 21, 22, 23

Ross v. Franzen, 777 F.2d 1216 (7th Cir. 1985) 28

Schubert v. Nissan Motor Corp., 148 F.3d 25 (1st Cir. 1998) 27

Thorsteinsson v. M/V Drangur, 891 F.2d 1547 (11th Cir. 1990) 26

U.S. v. Alverson, 666 F.2d 341 (9th Cir. 1982) 25

U.S. v. Reynolds, 345 U.S. 1 (1953) ..... *passim*

TABLE OF AUTHORITIES – Continued

Page

U.S. v. Tucker, 78 F.3d 1313 (8th Cir. 1996) 25

Viero v. Bufano, 925 F. Supp. 1374 (N.D. Ill. 1996) 27

Weberman v. N.S.A., 668 F.2d 676 (2nd Cir. 1982) 22

Yang v. Reno, 157 F.R.D. 625 (M.D. Pa. 1994) 15, 17

STATUTES AND RULES:

United States Constitution, Amendment V..... 2

28 U.S.C. §455(a) 3, 23, 24, 25

28 U.S.C. §1254(1) 2

28 U.S.C. §1291..... 2

28 U.S.C. §1292(c) 2

28 U.S.C. §1295.....2, 12

28 U.S.C. §1331..... 2

28 U.S.C. §1338(a) 2

28 U.S.C. §1338(b) 2

28 U.S.C. §1367(a) 2

28 U.S.C. §1498(a) 3, 6, 26

Federal Rule of Civil Procedure 6(d) 3, 5, 27

Federal Rule of Civil Procedure 12(b) 3, 5, 25, 28

Federal Rule of Civil Procedure 56..... 27

Federal Rule of Civil Procedure 56(c) 26, 28

Federal Rule of Civil Procedure 56(e) 3, 26

TABLE OF AUTHORITIES – Continued

Page

Local Rule 7-4.01, U.S. Dist. Court, E.D. Mo. 4, 27

Local Rule 7-4.04(B), U.S. Dist. Court, E.D. Mo. 4, 21, 24

Local Rule 83-12.02, U.S. Dist. Court, E.D. Mo. .. 4, 21, 24

Missouri Supreme Court Rule 4-3.5 ..... 5, 21, 23

Missouri Judicial Canon 3(B)(7) 5, 21, 23

ARTICLES AND OTHER PUBLICATIONS:

J. Steven Gardner, *Comment: The State Secret Privilege Invoked in Civil Litigation: A Proposal for Statutory Relief*, 29 Wake Forest L. Rev. 567 (Summer 1994) 16

Note, *The Military and State Secrets Privilege: Protection for the National Security or Immunity for the Executive?* 91 Yale L.J. 570 (1982) 16

PETITION FOR A WRIT OF CERTIORARI

Crater Corporation respectfully petitions this Court for a writ of certiorari to review the judgment of the U.S. Court of Appeals for the Federal Circuit.

OPINIONS BELOW

Crater Corp. vs. Lucent Technologies, Inc., et al., Case No. 4:98CV00913ERW, U.S. District Court for the Eastern District of Missouri. Judgment entered August 25, 1999; decision reported at 1999 U.S. Dist. LEXIS 22765.

Crater Corp. vs. Lucent Technologies, Inc., et al., Appeal No. 99-3367EMSL, U.S. Court of Appeals for the Eighth Circuit. Application for extraordinary writ filed August 24, 1999; writ denied as moot September 28, 1999; no panel selected, no published opinion.

Crater Corp. vs. Lucent Technologies, Inc., et al., Appeal No. 99-3620, U.S. Court of Appeals for the Eighth Circuit. Notice of appeal timely filed September 24, 1999; appeal transferred to U.S. Court of Appeals for the Federal Circuit December 9, 1999, pursuant to 28 U.S.C. §1295(a)(1); no panel selected, no published opinion.

Crater Corp. vs. Lucent Technologies, Inc., et al., Appeal No. 00-1125, U.S. Court of Appeals for the Federal Circuit. Judgment affirmed in part, vacated in part, case remanded for further proceedings, opinion dated June 6, 2001, reported at 255 F.3d 1361; petition for panel rehearing filed July 25, 2001; petition denied September 17, 2001, order reported at 2001 U.S. App. LEXIS 21860; mandate issued September 24, 2001.

JURISDICTIONAL STATEMENT

Petitioner, Crater Corporation, filed this case in the U.S. District Court for the Eastern District of Missouri, *Crater Corp. v. Lucent Technologies, Inc., et al.*, Cause No. 4:98CV00913, alleging that Respondents Lucent and AT&T infringed a patent owned by Crater, breached their contracts with Crater, and misappropriated Crater's trade secrets. The district court had jurisdiction pursuant to 28 U.S.C. §1331; 28 U.S.C. §1338(a); 28 U.S.C. §1338(b); and 28 U.S.C. §1367(a).

The district court entered its final judgment in favor of Lucent and AT&T on August 25, 1999, and Crater timely filed its notice of appeal on September 24, 1999. The appeal was orignially filed in the U.S. Court of Appeals for the Eighth Circuit, Appeal No. 99-3620, pursuant to 28 U.S.C. §1291. The appeal was transferred to the U.S. Court of Appeals for the Federal Circuit pursuant to 28 U.S.C. §1295 and 28 U.S.C. §1292(c).

The U.S. Court of Appeals for the Federal Circuit entered its order affirming the district court's ruling in part, vacating in part, and remanding for further proceedings, on June 6, 2001. Crater timely filed its petition for panel rehearing on July 25, 2001. The Federal Circuit denied that petition on September 17, 2001, and issued its mandate on September 24, 2001.

This court has jurisdiction under 28 U.S.C. §1254(1).

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

United States Constitution, Amendment V

No person shall be . . . deprived of life, liberty, or property, without due process of law. . . .

28 U.S.C. §455(a)

Any justice, judge, or magistrate of the United States shall disqualify himself in any proceeding in which his impartiality might reasonably be questioned.

28 U.S.C. §1498(a)

Whenever an invention described in and covered by a patent of the United States is used or manufactured by or for the United States without license of the owner thereof or lawful right to use or manufacture same, the owner's remedy shall be by action against the United States in the United States Court of Claims. . . .

Federal Rule of Civil Procedure 6(d)

. . . When a motion is supported by affidavit, the affidavit shall be served with the motion; . . .

Federal Rule of Civil Procedure 12(b)

. . . If, on a motion asserting the defense numbered (6) to dismiss for failure of the pleading to state a claim upon which relief can be granted, matters outside the pleading are presented to and not excluded by the court, the motion shall be treated as one for summary judgment and disposed of as provided in Rule 56, and all parties shall be given reasonable opportunity to present all material made pertinent to such motion by Rule 56.

Federal Rule of Civil Procedure 56(e)

Supporting and opposing affidavits shall be made on personal knowledge, shall set forth such facts as would be admissible in evidence, and shall show affirmatively

that the affiant is competent to testify to the matters stated therein. . . .

Local Rule 7-4.01, U.S. Dist. Court, E.D. Mo.

(A) Unless otherwise directed by the court, the moving party shall file with each motion a memorandum in support of the motion, including citations of any authorities on which the party relies. If the motion requires consideration of facts not appearing in the record, the party also shall file all documentary evidence relied upon.

. . .

(B) Within five (5) days after being served with a memorandum in opposition, the moving party may file a reply memorandum. Additional memoranda may be filed by either party only with leave of Court.

Local Rule 7-4.04(B), U.S. Dist. Court, E.D. Mo.

Ex Parte Oral Communications. Ex parte oral communications with the Court on substantive matters in a pending case are prohibited except when permitted by the Federal Rules of Civil, Criminal, or Bankruptcy Procedure.

Local Rule 83-12.02, U.S. Dist. Court, E.D. Mo.

. . . The Code of Professional Responsibility adopted by this Court is the Code of Professional Responsibility adopted by the Supreme Court of Missouri, as amended from time to time by that Court, except as may otherwise be provided by this Court's Rules of Disciplinary Enforcement.

Missouri Supreme Court Rule 4-3.5

A lawyer shall not:

. . .

(b) communicate ex parte with [a judge] except as permitted by law; . . .

Missouri Judicial Canon 3(B)(7)

A judge shall accord to every person who has a legal interest in a proceeding, or that person's lawyer, the right to be heard according to law. A judge shall not initiate, permit, or consider ex parte communications, or consider other communications made to the judge outside the presence of the parties concerning a pending or impending proceeding except that:

. . .

(e) A judge may initiate or consider any ex parte communications when expressly authorized by law to do so.

STATEMENT OF THE CASE

Petitioner, Crater Corporation, owns a patent for a split-valve, underwater coupling device, which Crater negotiated to license to Respondents Lucent and AT&T. Crater sued Lucent and AT&T because they infringed Crater's patent, breached their contracts with Crater, and misappropriated Crater's trade secrets. Crater filed its complaint in the U.S. District Court for the Eastern District of Missouri, and the case was assigned to Judge E. Richard Webber.

Lucent and AT&T moved to dismiss Crater's complaint under Federal Rules 12(b)(1) and (6), claiming that

any infringement they committed was pursuant to a contract with the U.S. government and subject to the government's authorization and consent. Any claims Crater might have, Respondents argued, could be brought only against the U.S. government and pursued only in the U.S. Court of Federal Claims. They cited 28 U.S.C. §1498(a).[1]

In support of their motion, Lucent and AT&T submitted the affidavit of one of their employees, Paul Rominski, who stated that all of Lucent's and AT&T's work on Crater's coupler had been pursuant to a classified government project. (App. at 121a-124a). Crater moved to strike that affidavit because it was not based on Mr. Rominski's personal knowledge. Crater also requested additional time to conduct discovery in order to meet the arguments raised in Respondents' motion to dismiss.

Judge Webber granted Crater's request for additional time to conduct discovery, but limited that discovery to two issues: (1) whether Lucent and AT&T sold Crater couplers to anyone other than the government; and (2) whether Lucent's and AT&T's work was performed with the government's authorization and consent. (App. at 88a).

Crater served discovery requests relating directly to these issues. Crater asked that Lucent and AT&T state the total number of Crater couplers they made, identify each coupler by date of manufacture and by serial number, and state each coupler's recipient, location and use. Crater also noticed the depositions of certain third-party

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[1] Respondents also argued that, because the district court lacked subject matter jurisdiction over Crater's federal claims, it lacked supplemental jurisdiction over the state law claims as well.

witnesses who had told Crater's president that Lucent and AT&T had made and sold Crater couplers for non-government, commercial use.

Lucent and AT&T responded to Crater's written discovery by providing a conclusory statement that they had made no couplers except for the government, and by objecting based on the state secrets privilege.

The district court initially rejected Respondents' use of the state secrets privilege because that privilege may only be asserted by the U.S. government. However, the court did, at the *ex parte* request of a government lawyer, stay all depositions that had been noticed by Crater, and later allowed the government to intervene in the case for the purpose of asserting the state secrets privilege. (App. at 85a-86a, 113a). The district court accepted the government's arguments as to the privilege, entered orders limiting Crater's discovery on that basis, and allowed the government to determine whether the privilege applied in each particular case. (*See, e.g.*, App. at 80a-81a, 73a-77a).

Crater argued below that the district court's application of the state secrets privilege was improper.

First, Crater argued, the government failed to meet the requirements established by this Court in *U.S. v. Reynolds*, 345 U.S. 1 (1953). The government claimed the privilege, and the district court applied it, to prevent Crater from discovering relevant documents and information that (1) had never been reviewed or considered by any officer of the government, and (2) did not constitute state or military secrets.

The government's formal assertion of the privilege came in the form of a declaration from Secretary of the Navy, Richard J. Danzig. Secretary Danzig's declaration

did not state that he, or anyone else, had personally reviewed the documents requested by Crater, or that he, or anyone else, had attempted to segregate secret information from that which was not secret. (App. at 117a-120a).

In addition, the government's attorney admitted in open court that the government did not know what documents Lucent and AT&T had in their possession, or what documents Crater sought through discovery, that might fall within the scope of the claimed privilege. (App. at 114a; *see also* 118a, 72a). These documents had neither been retrieved nor reviewed by the government, and were not provided or indexed for the district court's review. Many, in fact, remained in the hands of non-government, third-party witnesses. (App. at 50a, 73a-77a, 118a).

Crater also argued that the documents and information for which the government sought protection could not properly be characterized as state or military secrets. Lucent's and AT&T's own employees testified at their depositions that they used the supposedly secret information in ways that were not designed to maintain its secrecy. One employee admitted that he had given two presentations regarding the coupler without knowing whether any member of his audience had security clearance and, if so, to what level. He testified that he did not consider his presentations to be breaches of security because neither the coupler itself nor the connector in which it was housed was classified.

In addition, Crater's president, Steven Van Keuren, had engaged in several conversations with third parties who not only provided him with the information that the government now claims is secret, but told him the Crater coupler was being used and sold commercially. One witness told Mr. Van Keuren that he had several Crater

couplers in his office and knew of several others that were being examined or used for commercial purposes. (App. at 107a-112a).

Crater had also previously been told by both Lucent and the government that the Crater coupler was not part of the classified government program referred to in the Danzig declaration. In letters sent from April 24, 1997 to January 26, 1998, both the Navy and Lucent told Crater that Lucent had not been awarded a production contract for the Crater coupler and that the coupler would not be used for the classified project. (*See, e.g.,* App. at 66a-67a, 111a).

These statements are all consistent with representations made to the court by the government and Lucent and AT&T. They stated to the court that there were third-party witnesses subpoenaed by Crater who might not realize that their work for Lucent and AT&T had been done pursuant to a secret government contract. (App. at 50a-53a). Lucent and AT&T had disclosed relevant documents and information to these third parties without arranging for the documents and information to be kept in confidence.

Crater also argued below that the district court's rulings on the state secrets privilege were improper because they resulted from the government lawyer's repeated, improper *ex parte* communications with Judge Webber. These communications began before the government asked to intervene in the case.

On February 24, 1999, Judge Webber stayed all discovery in the case, including third-party depositions that had already been noticed by Crater. His order stated that it was entered upon the court's own motion "following contacts made with this office by representatives of the United States of America[.]" (App. at 85a-86a). Crater did

not know about or participate in these "contacts," and had no opportunity to brief or present arguments regarding the court's stay of discovery.

In March of 1999, the government's lawyer presented *in camera* declarations regarding the government's assertion of the state secrets privilege. At that presentation, he engaged in an off-the-record oral briefing of the district court, during which he made unsworn statements and answered the court's questions regarding the government's motion. (App. at 76a-79a, 113a-116a). When Crater's counsel learned of this briefing several weeks later, he immediately objected and then later moved for Judge Webber to recuse himself. Judge Webber denied that motion. (App. at 61a, 77a-78a).

In June of 1999, Judge Webber heard arguments on outstanding discovery issues relating to the government's assertion of the state secrets privilege in connection with the depositions of third-party witnesses and the information to be provided to those witnesses. During that hearing, despite the objections of Crater's counsel, Judge Webber halted the hearing during counsels' arguments and went into a back room with the government's lawyer for the express purpose of conducting an off-the-record, *ex parte* discussion regarding the government's requests. He then granted those requests. (App. at 52a-59a, 44a-47a).

Crater's counsel renewed his objections to the *ex parte* discussions, and again moved for Judge Webber to recuse himself. (App. at 56a, 58). Judge Webber again denied that motion. (App. at 47a).

Judge Webber's rulings as to the state secrets privilege substantially restricted Crater's ability to obtain relevant evidence. Crater was prevented from learning any of the details regarding the Crater couplers made by Lucent

and AT&T, including how many were made, when they were made, where they went, and how they were used. (*See, e.g.*, App. at 92a-95a, 67a-70a, 31a-32a).

Indeed, the district court's orders went so far as to require Crater to attach to its subpoenas to third-party witnesses an instruction that they determine, with government assistance, whether they believed the documents and information in their hands were privileged. The witnesses were allowed to decide, with government assistance, whether they were required to produce documents or even to answer questions at deposition. Crater was not permitted to cross-examine the witnesses to determine the legitimacy of any belief they might have that their information was privileged. (App. at 73a-77a, 48a-59a).

In August of 1999, Crater was required to respond to Respondents' motion to dismiss, despite the district court's orders disallowing Crater's discovery of relevant evidence relating to that motion. Crater had by that time deposed Respondents' affiant, Paul Rominski, and had confirmed that he had no personal knowledge of the matters stated in his affidavit. (App. at 96a-106a). Crater renewed its motion to strike Mr. Rominski's affidavit on that basis, and opposed Respondents' motion on the ground that it was supported only by the inadmissible affidavit of Mr. Rominski.

Lucent and AT&T then submitted, with their reply brief, brand-new materials in support of their motion. These materials included a declaration and portions of two deposition transcripts, all of which came from Lucent's and AT&T's own employees, and all of which was available to them when their motion was originally filed.

Before Crater's time had run either to file its reply brief in support of its motion to strike the Rominski

affidavit, or to move to strike or respond in any way to the new evidence submitted by Lucent and AT&T, the district court entered its order granting their motion to dismiss. (App. at 22a-29a, 30a).

The district court held: (1) that it lacked subject matter jurisdiction over Crater's patent infringement claims – that those claims could only be pursued in the U.S. Court of Federal Claims – and, (2) that because the court had no jurisdiction over the federal claims, it also had no supplemental jurisdiction over Crater's state law claims. (App. at 24a, 28a). The court stated that, because Crater had not refuted the factual statements made in Respondents' motion, any "technical" flaw in the Rominski affidavit was irrelevant. (App. at 26a). It is unclear from the district court's order to what extent Judge Webber relied on Respondents' new evidence to support his decision. (App. at 27a).

Crater appealed both the district court's final order and judgment, and the court's rulings on the state secrets privilege and the motions to disqualify. Crater's appeal was heard by the U.S. Court of Appeals for the Federal Circuit, pursuant to 28 U.S.C. §1295(a)(1), and a decision was entered by that court on June 6, 2001. The court of appeals upheld the district court's decision to dismiss Crater's patent infringement claims, but on different grounds, and remanded the state law claims to the district court for resolution. (App. at 2a-21a).

The court of appeals found that the district court did, in fact, have subject matter jurisdiction over Crater's patent infringement claims, but that summary judgment should have been entered for Respondents on the merits. (App. at 3a). In affirming the district court's decision, the

court of appeals not only considered the materials submitted with Respondents' reply brief, but also went beyond those materials, referring to other discovery in the case. (App. at 12a-16a). Crater had no opportunity to respond to this evidence, or to the conclusions drawn from it.

The court of appeals failed to reach the issue of whether the district court's application of the state secrets privilege was proper, ruling instead that Crater's inability to produce evidence in opposition to the motion to dismiss mooted that question. (App. at 18a). The court noted summarily in a footnote that it saw no problems with the *ex parte* communications Crater complained of. (App. at 19a).

Crater timely filed a petition for panel rehearing of its appeal, which was denied by the court of appeals on September 17, 2001. (App. at 90a). The court of appeals issued its mandate on September 24, 2001. (App. at 21a).

REASONS FOR GRANTING THE WRIT

I. THIS COURT SHOULD GRANT CERTIORARI BECAUSE THE LOWER COURTS' ORDERS IGNORED THE DECISIONAL LAW OF THIS COURT, CONFLICTED WITH DECISIONS IN OTHER CIRCUITS, AND WRONGLY APPLIED THE STATE SECRETS PRIVILEGE TO PREVENT CRATER FROM OBTAINING RELEVANT EVIDENCE IN SUPPORT OF ITS CASE.

The state secrets privilege raises fundamental questions of fairness that have not been addressed by this Court since 1953. In that year, in *U.S. v. Reynolds*, 345 U.S. 1 (1953), the Court described the basic requirements for invoking the privilege. The Court stated:

> The privilege belongs to the Government and must be asserted by it; it can neither be claimed nor waived by a private party. It is not to be lightly invoked. There must be a formal claim of privilege, lodged by the head of the department which has control over the matter, after personal consideration by that officer.

Id. at 7-8.

The Court insisted that the appropriate government official examine each item that is claimed to be secret.

> The essential matter is that the decision to object should be taken by the minister who is the political head of the department, **and that he should have seen and considered the contents of the documents** and himself have formed the view that on grounds of public interests they ought not to be produced.

Id. at 8, n. 20 (quoting *Duncan v. Cammell, Laird & Co.*, A.C. 624, 638 (1942)) (emphasis added).

The Court also held that, although the state secrets privilege rests with the executive branch, the determination as to whether that privilege should be applied in any particular case, to any particular evidence, is not within the sole province of that branch:

> The court itself must determine whether the circumstances are appropriate for the claim of privilege. . . .

Id. at 7-8; and,

> Judicial control over the evidence in a case cannot be abdicated to the caprice of executive officers.

Id. at 9-10.

According to *Reynolds*, there is only one conclusion that will justify denying otherwise legitimate discovery requests under a claim of state secrets privilege. There

must be a "reasonable danger that compulsion of the evidence will expose military matter which, in the interest of national security, should not be divulged." *Id.* at 10. If there is no such danger, the court must permit discovery to proceed.

These requirements are not merely technical. Because the privilege is absolute, and, when applied, deprives a party of relevant, often dispositive, evidence, it is critical that the court ensure that all evidence withheld is actually secret, and that it has the significance the government claims for it. *See Northrop Corp. v. McDonnell Douglas Corp.*, 751 F.2d 395, 405 (D.C. Cir. 1984); *Yang v. Reno*, 157 F.R.D. 625, 632 (M.D. Pa. 1994); *Nat'l Lawyers Guild v. Att'y Gen.*, 96 F.R.D. 390, 395-96 (S.D.N.Y. 1982); *Kinoy v. Mitchell*, 67 F.R.D. 1, 9 (S.D.N.Y. 1975).

In *Reynolds*, the government sought protection for certain specifically identified documents relating to the crash of an Air Force plane during a military test flight. The Court found it reasonable, in those narrow circumstances, for the government to assert the state secrets privilege to protect a sensitive investigation report and the witness statements of surviving crew members.

Since *Reynolds*, the executive branch has asserted the state secrets privilege with increasing frequency, claiming as secret everything from a sixth-grader's FBI file to the maintenance records for a government vehicle involved in a fender-bender.[2] Although some courts have been willing to broaden their definitions of state and military secrets, many commentators now believe the privilege has been stretched to its limits and that, as a result, valid

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[2] *See, e.g., Patterson v. FBI*, 893 F.2d 595 (3d Cir. 1990); *Bowles v. U.S.*, 950 F.2d 154 (4th Cir. 1991).

claims have been improperly denied.[3] Despite this broadening – and the conflicts among the circuits that inevitably arise from it – Crater knows of no court that has extended the privilege as the lower courts did here.

The lower courts' divergence from established case law falls into four categories: (1) the personal review of documents required by the head of the government department asserting the privilege; (2) the review required by the court applying the privilege; (3) the nature of the stated governmental interest sought to be protected; and (4) the allowability of *ex parte* contacts between the government and the court.

Crater asks that this Court grant Crater's petition for certiorari to clarify the standards originally set forth in *Reynolds* and to correct the lower courts' overbroad application of the state secrets privilege in this case.

A. Head of Department Must Review All Documents and Information for Which the Government Seeks Protection.

In *Reynolds*, this Court stated that each document for which the privilege is claimed must be reviewed by the head of the department asserting the privilege. 345 U.S. at 8, n. 20.

The D.C. Circuit has strictly followed this lead. In the *Northrop* case, that court rejected much of the government's state secrets argument, stating:

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[3] *See, e.g.*, J. Steven Gardner, *Comment: The State Secret Privilege Invoked in Civil Litigation: A Proposal for Statutory Relief*, 29 Wake Forest L. Rev. 567, 567-68, 585-86 (Summer 1994); Note, *The Military and State Secrets Privilege: Protection for the National Security or Immunity for the Executive?*, 91 Yale L.J. 570 (1982).

> Clearly, documents which have not yet been retrieved have not yet been examined or considered by the head of the department. It is premature for State to assert or even insinuate a claim of the state secrets privilege over these documents.

Northrop, 751 F.2d at 404.

The D.C. Circuit unambiguously declared that, in order for a claim of state secrets privilege to be considered, the head of the relevant department has to have made a complete examination of the documents for which the government seeks protection. *Id.* at 404, 406; *see also Ellsberg v. Mitchell*, 709 F.2d 51, 57 (D.C. Cir. 1983) (must review to disentangle sensitive information from non-sensitive).[4]

Although some circuits have carved exceptions to this rule – where the entire subject matter of the action is sensitive or where the privilege will deprive the defendants of a valid defense[5] – those exceptions go beyond *Reynolds*, and, in any event, do not apply here.

Crater's claims in this case involve Lucent's and AT&T's commercial sale and use of Crater's coupler. Any documents for which the government now claims a privilege necessarily relate to the coupler's military use, and are merely incidental to Crater's claims. Thus, even

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[4] Other courts have applied this requirement with equal stringency. *See, e.g., Yang v. Reno*, 157 F.R.D. 625, 632-35 (M.D. Pa. 1994); *Nat'l Lawyers Guild v. Att'y Gen.*, 96 F.R.D. 390, 396-97 (S.D.N.Y. 1982); *Kinoy v. Mitchell*, 67 F.R.D. 1, 8-10 (S.D.N.Y. 1975).

[5] *See, e.g., Kasza v. Browner*, 133 F.3d 1159 (9th Cir. 1998); *Bareford v. Gen. Dynamics Corp.*, 973 F.2d 1138 (5th Cir. 1992); *Bowles v. U.S.*, 950 F.2d 154 (4th Cir. 1991).

under the most relaxed view of the privilege, the government should have engaged in a document-by-document review of all documents they withheld.

There is no precedent for the government's failure to make that review, or for the lower courts' endorsement of the government's approach. No court has allowed the government to claim as privileged documents (1) that have not been reviewed by the head of the relevant government department, or any other government official; (2) that cannot be fully described, or even categorized, by the government; and (3) that are not, and may never have been, in the government's possession. No court has allowed the government to claim as privileged documents that remain in the hands of third parties who have never been told the documents are secret and have not treated them with secrecy.

B. Court Must Review Allegedly Privileged Documents When Claim of Secrecy Is Dubious.

This Court stated in *Reynolds* that it is impermissible for the judiciary to abdicate responsibility for privilege determinations to any other branch of the government. Although the level of judicial participation varies depending on the interests of the parties, any court deciding these issues must actively participate in the process and cannot casually accept the executive's secrecy claims. *Reynolds*, 345 U.S. at 7-8, 9-10.

In determining the level of court participation required, the standard applied is this: the greater the need by the litigant seeking discovery, and the less credible the claim stated by the government, the more extensive must be the court's review. *Id.* at 10-11; *Northrop*, 751 F.2d at 401.

In this case, neither the district court nor the court of appeals made any attempt to weigh Crater's need for information against the credibility of the government's claims. The district court did not require the government to produce the allegedly secret documents for the court's review, or even to index or describe them with any particularity. Rather, the district court applied the privilege, and the Federal Circuit upheld it, based on an acknowledged failure by the government to review, even for itself, the evidence that was kept from Crater. By applying the privilege in this way, the lower courts prevented Crater from obtaining relevant evidence that might have defeated the defenses raised by Lucent and AT&T, and thus changed the outcome of this case. Especially given the weak nature of the government's secrecy claims (discussed below), the courts' review here was inadequate.

C. The Documents and Information Withheld from Crater Did Not Constitute State or Military Secrets.

In order to receive protection under the state secrets privilege, the evidence in question must be a state or military secret. If there is no reasonable possibility that its production in the case will harm national security, then it must be produced. *Reynolds*, 345 U.S. at 10.

Although federal courts have noted a general need for flexibility in defining what constitutes a state or military secret, they will not accept a claim of privilege where the evidence that the government claims is secret is of dubious national security interest. *See Reynolds*, 345 U.S. at 10; *A.C.L.U. v. Brown*, 619 F.2d 1170, 1174 (7th Cir.

1980); *see also Nat'l Lawyers Guild*, 96 F.R.D. at 402 (recognizing evidentiary rule that prior disclosure of same information shows lack of secrecy and waives privilege).

There can be little national security interest in the evidence at issue in this case. Both the government and Lucent stated to Crater in writing, before the case was filed, that Crater's coupler was not used in the government program for which it was proposed. (App. at 66a-67a, 111a).

The government's failure to secure the coupler's secrecy lends credence to these pre-litigation admissions. One of Lucent's and AT&T's employees admitted at his deposition that he gave two presentations regarding the coupler to audiences for which he had made no attempt to ascertain the level or existence of security clearance. He testified that he did not believe this was necessary because the coupler was not classified.

Other witnesses provided Crater's president with extensive information regarding matters that the government now claims are secret – including detailed descriptions of the coupler made by Lucent and AT&T, how it was used, and the number produced. They also told him that the coupler was being sold commercially. One witness described the Crater coupler with precision, and claimed to have several in his office.[6] (App. at 107a-112a).

These statements to Crater's president are consistent with representations made by the government and by Lucent and AT&T to the district court to the effect that there were third-party witnesses subpoenaed by Crater who might not realize that their work for Lucent and

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[6] Crater's depositions of these witnesses were curtailed by the district court's orders regarding the state secrets privilege.

AT&T was for a secret government project. (App. at 50a-53a).

Finally, both Lucent and the government communicated with Crater extensively regarding the number of Crater couplers made by Lucent and AT&T and the fact that those couplers were not used in the classified government project. (App. at 66a-67a, 111a).

All of these disclosures show that information relating to the sale and use of Crater's coupler is not a military secret and should not have been kept from Crater in this case.

D. *Ex Parte* Communications of the Type in This Case Are Not Permitted.

Courts have long proscribed *ex parte* communications between any attorney and judge for the obvious reason that such communications create a significant risk that they will result in prejudice or other unfairness toward the other party. *See, e.g., Rinehart v. Brewer,* 561 F.2d 126, 132-33 (8th Cir. 1977); *Jones v. Hess,* 681 F.2d 688, 692 (10th Cir. 1982); *In re Selig Marek,* 609 N.E.2d 419, 420 (Ind. 1993).

Both state and federal court rules specifically proscribe this conduct in the Eastern District of Missouri. *See* Mo. S.Ct. Rule 4-3.5; Missouri Judicial Canon 3(B)(7); Local Rules 7-4.04(B) and 83-12.02, E.D.Mo.

The concerns behind these proscriptions have constitutional dimensions. It is a cornerstone of our system of justice that all parties are entitled to the impartial review of their cases by judges free of bias, or even the appearance of bias. Any failure to meet this basic requirement compromises both the parties' due process rights and the integrity of our system. *Liljeberg v. Health Services Acquisition Corp.,* 486 U.S. 847, 864-65, n. 12 (1988); *Aetna Life Ins. Co. v. Lavoie,* 475 U.S. 813, 825 (1986); *In re Murchison,* 349

U.S. 133, 136 (1955). Those concerns have specifically arisen in the context of challenges to *ex parte* communications. *See, e.g., Jones,* 681 F.2d at 692; *Rinehart,* 561 F.2d at 132-33.

In this case, the government has argued that the exigencies of establishing the state secrets privilege not only justified, but required, the repeated, substantive *ex parte* communications that took place between the government lawyer and Judge Webber. However, there is nothing in state secrets jurisprudence that supports this argument.

The *Reynolds* Court did not specifically discuss the extent to which it would be appropriate for courts to review information *in camera* to determine the applicability of the state secrets privilege, and Crater understands that such review may be necessary in some instances to prevent disclosure of the very material the government might legitimately seek to protect. However, Crater knows of no case in which a court has permitted the type of *ex parte* communications engaged in, repeatedly, here.[7]

In fact, the first of the government's *ex parte* communications with Judge Webber took place before the government had asserted the privilege, or even intervened in the case. On February 24, 1999, Judge Webber issued an order in which he stayed all discovery, based on "contacts made with this office by representatives of the United States of America[.]" (App. at 85a-86a). Crater did not know about or participate in these "contacts," and had no

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[7] *Cf. Weberman v. N.S.A.*, 668 F.2d 676, 678 (2nd Cir. 1982) (approving trial court's *in camera* review of affidavit, by itself, where judge did not hear argument from U.S. Attorney).

opportunity to brief or otherwise present arguments regarding the Court's stay of discovery. Nor is there any record of what was said during this private discussion.

After intervening, the government's lawyer twice again spoke to the judge *ex parte*. The first occasion was when the government submitted a secret declaration of the Secretary of the Navy to the Court *in camera*. Crater's counsel later learned that the government's submissions included a "briefing" of the court by the government's lawyer, a briefing that was not sworn and for which there is no record. (App. at 76a-77a).

The second occasion was in the middle of a hearing on discovery, when, over Crater's counsel's objection, the court stopped the hearing and went into a back room with the government's lawyer to discuss the substance of pending motions. Judge Webber then ruled in the government's favor on those motions. Again, these *ex parte* discussions were unsworn and unrecorded. (App. at 52a-59a).

All of the discussions were improper.

II. THIS COURT SHOULD GRANT CERTIORARI BECAUSE JUDGE WEBBER VIOLATED BOTH 28 U.S.C. §455(a) AND CRATER'S DUE PROCESS RIGHTS BY FAILING TO DISQUALIFY HIMSELF FROM THIS CASE, AND THE FEDERAL CIRCUIT DEPARTED FROM ESTABLISHED CASE LAW IN UPHOLDING THAT DECISION.

As discussed above, the repeated, substantive *ex parte* communications that occurred between the government and Judge Webber in this case not only violated state and federal law, but also denied Crater its right to due process. *See Liljeberg*, 486 U.S. 864-65; *Aetna*, 475 U.S. at 825; *Rinehart*, 561 F.2d at 132-33; Mo. S.Ct. Rule 4-3.5; Missouri

Judicial Canon 3(B)(7); Local Rules 7-4.04 and 83-12.02, E.D.Mo.

Federal statute provides a remedy for these violations. Pursuant to 28 U.S.C. §455(a), "[a]ny justice, judge, or magistrate of the United States shall disqualify himself in any proceeding in which his impartiality might reasonably be questioned." That is precisely the remedy Crater sought here and was denied.

This Court has spoken on this issue. In *Liljeberg*, the Court stated that "[t]he very purpose of §455(a) is to promote confidence in the judiciary by avoiding even the appearance of impropriety whenever possible." 486 U.S. at 864-65. When that appearance of impropriety either has not been or cannot be avoided, disqualification is mandated. Indeed, because it is vitally important to our system of justice that judicial integrity be beyond reproach, any time the question of whether disqualification is required under §455(a) is a close call, "the balance tips in favor of recusal." *Nichols v. Alley*, 71 F.3d 347, 352 (10th Cir. 1995); *accord Hall v. Small Business Admin.*, 695 F.2d 175, 178-79 (5th Cir. 1983).

Under the objective standard set by §455(a), a party need not show that the judge in question is, in fact, biased. It is the likelihood that a reasonable person would harbor doubts about the fairness of the proceeding that is of primary concern. *Liljeberg*, 486 U.S. at 859-60, 864-65; *Nichols*, 71 F.3d at 350-52; *Hall*, 695 F.2d at 178-79.

Here, there were at least three sets of *ex parte* discussions between Judge Webber that resulted in rulings favorable to the government and Lucent and AT&T. Because of these discussions, there is a significant risk that the district court's conduct could, at the very least, be perceived to evidence a bias in favor of those parties.

His disqualification was required both by §455(a) and by due process concerns.

On appeal, the Federal Circuit ignored this problem. The appropriate remedy would have been to vacate the judgment of the district court and to reverse all orders affected by the *ex parte* communications, including the orders relating to the state secrets privilege.[8] Rather than taking these measures, however, the court, without elaboration, stated that it saw "no impropriety in the court's communications with government counsel." (App. at 19a).

Crater asks that this Court correct this departure from federal standards.

III. THIS COURT SHOULD GRANT CERTIORARI BECAUSE THE DISTRICT COURT AND THE FEDERAL CIRCUIT SUBSTANTIALLY DEPARTED FROM FEDERAL STANDARDS FOR GRANTING MOTIONS SUBMITTED ON EVIDENCE OUTSIDE THE PLEADINGS.

Both the district court and the Federal Circuit departed from established federal standards governing the treatment of motions based on evidence outside the pleadings. Because the motion to dismiss that was submitted in this case went beyond the pleadings, the courts below were required to treat it as a motion for summary judgment and to follow the standards set forth in Rule 56 of the Federal Rules. Fed.R.Civ.P. 12(b). They did not.

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[8] *See Aetna*, 475 U.S. at 828-29; *U.S. v. Alverson*, 666 F.2d 341, 348-49 (9th Cir. 1982); *U.S. v. Tucker*, 78 F.3d 1313, 1324 (8th Cir. 1996); *Potashnick v. Port City Constr. Co.*, 609 F.2d 1101, 1104 (5th Cir. 1980); 28 U.S.C. §455(a).

Instead, they incorrectly entered judgment in favor of Lucent and AT&T, despite the fact that these parties had submitted no admissible evidence in support of their motion.

Under Rule 56, parties are entitled to summary judgment only if they demonstrate that there is no genuine dispute as to any material fact and that they are entitled to judgment as a matter of law. Fed.R.Civ.P. 56(c). If the parties moving for summary judgment will have the burden of proof on any given issue at trial, they also bear the burden of proof, as to that issue, at the summary judgment stage. *Crescent Towing & Salvage Co. v. M/V ANAX*, 40 F.3d 741, 743-45 (5th Cir. 1994); *Thorsteinsson v. M/V Drangur*, 891 F.2d 1547, 1550-51 (11th Cir. 1990).

In this case, the issue raised by Lucent's and AT&T's motion to dismiss was whether their infringement of Crater's patent was excused under the provisions of 28 U.S.C. §1498(a). Because they would bear the burden of proving this matter at trial, they also bore the burden of establishing it at summary judgment. They failed to meet this burden.

Rule 56(e) sets forth the requirements for summary judgment affidavits. Under that rule, any such affidavits must be based on the witness's personal knowledge:

> Supporting and opposing affidavits shall be made on personal knowledge, shall set forth such facts as would be admissible in evidence, and shall show affirmatively that the affiant is competent to testify to the matters stated therein. . . .

Fed.R.Civ.P. 56(e).

Federal courts have enforced this rule strictly – any affidavit that is not based on the affiant's personal knowledge must be disregarded. *Automatic Radio Mfg. Co. v.*

Hazeltine Research, Inc., 339 U.S. 827, 831 (1950), *Friedel v. Madison*, 832 F.2d 965, 969-71 (7th Cir. 1987); *Great Western Sugar Co. v. Mrs. Allison's Cookie Co.*, 563 F. Supp. 430, 432 (E.D. Mo. 1983).

This rule applies equally whether the affidavit's inadequacy is evident on its face or revealed at a deposition in which the affiant testifies that he has no personal knowledge. *See, e.g., Schubert v. Nissan Motor Corp.*, 148 F.3d 25, 31 (1st Cir. 1998).

The Federal Rules also regulate the timing of the parties' submission of evidence in support of a motion. Rule 6(d) specifically states that, if an affidavit is used to support a motion, it must be submitted with the motion. Fed.R.Civ.P. 6(d); *see also Cia. Petrolera Caribe, Inc. v. Arco Caribbean, Inc.*, 754 F.2d 404, 409 (1st Cir.P.R. 1985). Neither the Federal Rules nor, in this case, the district court's local rules, authorize movants to file new evidentiary material with their reply brief. *See* Local Rule 7-4.01(A & C); Fed.R.Civ.P. 56. Thus, if those movants fail to meet their burden with evidence initially submitted, they may not then sandbag their opponents with new evidence presented later.

The rationale for this rule is clear: to allow otherwise would be unfairly to prejudice the non-moving party, who, under the rules, has no opportunity to respond to the new material. *See Black v. TIC Inv. Corp.*, 900 F.2d 112, 116 (7th Cir. 1990); *Cia. Petrolera*, 754 F.2d at 409-10; *Murphy v. Village of Hoffman Estates*, 1999 WL 160305 (N.D. Ill. 1999); *Viero v. Bufano*, 925 F. Supp. 1374, 1379-80 (N.D. Ill. 1996); *Lewis v. Zilog, Inc.*, 908 F. Supp. 931, 959 (N.D. Ga. 1995); *Keystone Retaining Wall Sys., Inc. v. Westrock, Inc.*, 792 F. Supp. 1552, 1559 (D. Or. 1991).

At the very least, the court must give the non-moving party a "reasonable opportunity" to respond to all pertinent evidence. Fed.R.Civ.P. 12(b). Federal courts have agreed that a case should not be dismissed until that opportunity is granted. *See Forbes v. Walkup*, 1996 U.S. App. LEXIS 20072, at 7-10 (7th Cir. 1996); *Ross v. Franzen*, 777 F.2d 1216, 1219 (7th Cir. 1985); *Keystone*, 792 F.Supp. at 1559; *see also Oseguera v. Winters*, 2001 U.S. App. LEXIS 23028, at 3-4 (9th Cir. 2001).

The district court ignored all of these standards in dismissing Crater's case. Lucent and AT&T did not meet their summary judgment burden of proof because their motion was not supported by any admissible evidence. They relied solely on: (1) the affidavit of Paul Rominski that was submitted when the motion was first filed; and (2) a declaration and portions of two deposition transcripts that were submitted for the first time with their reply brief.

Crater moved to strike the Rominski affidavit because it did not comply with the mandates of Rule 56(c). The affidavit failed on its face to establish Mr. Rominski's competency to attest to all of its facts, and Mr. Rominski confirmed at his deposition he had no personal knowledge of those facts.

The remaining materials upon which Lucent and AT&T relied were submitted for the first time with their reply brief. They consisted of statements by Lucent's and AT&T's own employees, which were available to Lucent and AT&T at the time they originally filed their motion. Crater had no opportunity either to respond to these materials or to move to strike them because the district court dismissed the case before Crater's time had run to do so.

In taking this action, the court ignored the evidentiary requirements set forth in the Federal Rules and improperly shifted the burden of proof to Crater to counter a motion for which no admissible evidence had been submitted. The court's action in granting the motion is contrary to federal law and the principles laid down by this Court.

The Federal Circuit also departed from established federal law in upholding the district court's decision, and took that departure a step further. The Federal Circuit not only considered the evidence submitted with the reply brief, but went on to state that "all of the evidence that was produced during discovery indicated that Lucent's work on the allegedly infringing coupler was done for the government." (App. at 12a). The court then cited Crater's "opportunity to develop relevant evidence in discovery," and referred in its opinion to evidence that had not been considered by the district court and that Crater had been given no opportunity to explain or respond to. (App. at 12a-15a). The Federal Circuit's reasoning would present problems in any case, but was particularly problematic here, where Crater's true opportunity to conduct discovery was sharply constrained by the district court's orders regarding the state secrets privilege.[9]

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[9] It is exactly these constraints that would have formed part of the basis for Crater's response to these new materials had Crater been given the chance to respond.

CONCLUSION

Crater respectfully requests that this Court grant its petition for a writ of certiorari in order to correct the lower courts' substantial departures from federal law.

Respectfully submitted,

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APPENDIX

TABLE OF CONTENTS

Page

Opinion, United States Court Of Appeals For The Federal Circuit, Decided June 6, 2001 ..... 1a

Judgment, United States Court Of Appeals For The Federal Circuit, Entered June 6, 2001 ..... 21a

Memorandum And Order, United States District Court, Eastern District Of Missouri, Eastern Division, Filed August 25, 1999 ..... 22a

Judgment, United States District Court, Eastern District Of Missouri, Eastern Division, Filed August 25, 1999 ..... 30a

Memorandum And Order, United States District Court, Eastern District Of Missouri, Eastern Division, Filed August 19, 1999 ..... 31a

Motion Hearing, United States District Court, Eastern District Of Missouri, Eastern Division, July 2, 1999 ..... 33a

Hearing On Motions, In The United States District Court, For The Eastern District Of Missouri, Eastern Division, June 17, 1999 ..... 48a

Memorandum And Order, United States District Court, Eastern District Of Missouri, Eastern Division, Filed June 9, 1999 ..... 60a

In Chambers Hearing On Motions, United States District Court, Eastern District Of Missouri, Eastern Division, May 4, 1999 ..... 65a

Order, United States District Court, Eastern District Of Missouri, Eastern Division, Filed March 24, 1999 [Filed Separately Under Seal] 80a

APPENDIX

TABLE OF CONTENTS – Continued

Page

Order, United States District Court, Eastern District Of Missouri, Eastern Division, Filed March 1, 1999 ..... 82a

Order Of Hearing, United States District Court, Eastern District Of Missouri, Eastern Division, Filed February 24, 1999 ..... 85a

Order, United States District Court, Eastern District Of Missouri, Eastern Division, Filed September 17, 1998 ..... 87a

Order Denying Rehearing, United States Court Of Appeals For The Federal Circuit, Filed September 17, 2001 ..... 90a

In Chambers Hearing On Motions, United States District Court, Eastern District Of Missouri, Eastern Division, August 19, 1999 ..... 92a

Deposition Of Paul Rominski, United States District Court, Eastern District Of Missouri, Eastern Division, July 30, 1999 ..... 96a

Affidavit Of Steven P. Van Keuren, May 7, 1999 ... 107a

In Chambers Status Conference, United States District Court, Eastern District Of Missouri, Eastern Division, March 16, 1999 ..... 113a

Declaration And Assertion Of Military And State Secrets Privilege Of Richard J. Danzig, Secretary Of The Navy, March 12, 1999 ..... 117a

Affidavit Of Paul M. Rominski, August 14, 1998 .. 121a

United States Court of Appeals for the Federal Circuit

00-1125

CRATER CORPORATION,

Plaintiff-Appellant,

v.

LUCENT TECHNOLOGIES, INC. and AMERICAN TELEPHONE AND TELEGRAPH COMPANY,

Defendants-Appellees,

and

UNITED STATES,

Defendant-Appellee.

E. Robert Schultz, Schultz & Little, of St. Louis, Missouri, argued for plaintiff-appellant.

Louis F. Bonacorsi, Bryan Cave LLP, of St. Louis, Missouri, argued for defendants-appellees Lucent Technologies, Inc. and American Telephone and Telegraph Company.

Collette G. Matzzie, Attorney, Appellate Staff, Civil Division, Department of Justice of Washington, DC, argued for defendant-appellee United States. With her on the brief were *Mark B. Stern*, Attorney, Appellate Staff; and *John R. Tyler* and *Lisa A. Olson*, Attorneys, Federal Programs Branch, Civil Division.

Appealed from: U.S. District Court for the Eastern District of Missouri

Judge E. Richard Webber

United States Court of Appeals for the Federal Circuit

00-1125

CRATER CORPORATION,

Plaintiff-Appellant,

v.

LUCENT TECHNOLOGIES, INC. and AMERICAN TELEPHONE AND TELEGRAPH COMPANY,

Defendants-Appellees,

and

UNITED STATES,

Defendant-Appellee.

DECIDED: June 6, 2001

Before MAYER, *Chief Judge*, NEWMAN, and SCHALL, *Circuit Judges*.

SCHALL, *Circuit Judge*.

Crater Corporation ("Crater") sued Lucent Technologies, Inc. and American Telephone and Telegraph Company (collectively, "Lucent") in the United States District Court for the Eastern District of Missouri alleging that Lucent infringed Crater's U.S. Patent No. 5,286,129 (the " '129 patent"). The '129 patent is directed to an underwater coupling device (the "Crater coupler"). Crater also alleged state-law claims against Lucent for breach of contract and misappropriation of trade secrets. Lucent moved to dismiss Crater's complaint for lack of subject matter jurisdiction under Fed. R. Civ. P. 12(b)(1) and, in

the alternative, for failure to state a claim upon which relief could be granted under Fed. R. Civ. P. 12(b)(6). Citing 28 U.S.C. § 1498(a),[1] Lucent argued that it was not liable for patent infringement because any work it performed with respect to the Crater coupler was done under a government project and was authorized by the United States. Pursuant to § 1498(a), a private party cannot be held liable for infringement for any goods "used or manufactured by or for the United States." *See Va. Panel Corp. v. MAC Panel Co.*, 133 F.3d 860, 869, 45 USPQ2d 1225, 1232 (Fed. Cir. 1997). Lucent argued that the state law claims should be dismissed because there was no diversity of citizenship between Crater and Lucent, and since the district court lacked jurisdiction over the patent claims, due to § 1498(a), it could not exercise supplemental jurisdiction over the state law claims. In due course, the district court concluded that Lucent's allegedly infringing activities were for the government and dismissed Crater's complaint for lack of jurisdiction. *Crater Corp. v. Lucent Techs.*, No. 4: 98CV00913 ERW (E.D.Mo. Aug. 25, 1999) (memorandum and order) ("*Crater II*"). Crater appeals the district court's ruling.

Although we conclude that the district court erred in dismissing Crater's patent infringement claims for lack of jurisdiction, the dismissal of those claims nevertheless was proper. The reason is that Lucent established that it was entitled to summary judgment on its 28 U.S.C. § 1498(a) affirmative defense against the patent infringement charge. However, since the district court did have

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[1] All statutory references are to the 1994 version of the United States Code, as modified by Supplement IV of 1998.

jurisdiction over Crater's patent claims, we vacate the court's dismissal of Crater's state claims for lack of supplemental jurisdiction and remand for further proceedings on those claims.

BACKGROUND

I.

Section 1498(a) provides, in relevant part:

> Whenever an invention described in and covered by a patent of the United States is used or manufactured by or for the United States without license of the owner thereof or lawful right to use or manufacture the same, the owner's remedy shall be by action against the United States in the United States Court of Federal Claims for the recovery of his reasonable and entire compensation for such use and manufacture. . . .
>
> For the purposes of this section, the use or manufacture of an invention described in and covered by a patent of the United States by a contractor, a subcontractor, or any person, firm, or corporation for the Government and with the authorization or consent of the Government, shall be construed as use or manufacture for the United States. . . .

28 U.S.C. § 1498(a). In addition to giving the United States Court of Federal Claims exclusive jurisdiction over patent infringement suits against the government, § 1498(a) also provides "an affirmative defense for applicable government contractors." *Va. Panel Corp.*, 133 F.3d at 869, 45 USPQ2d at 1232. If a patented invention is used

or manufactured for the government by a private party, that private party cannot be held liable for patent infringement. *Trojan, Inc. v. Shat-R-Shield, Inc.*, 885 F.2d 854, 856, 12 USPQ2d 1132, 1134-35 (Fed. Cir. 1989); *W.L. Gore & Assocs., Inc. v. Garlock, Inc.*, 842 F.2d 1275, 1282-83, 6 USPQ2d 1277, 1283-84 (Fed. Cir. 1988). In *Manville Sales Corp. v. Paramount Systems, Inc.*, 917 F.2d 544, 16 USPQ2d 1587 (Fed. Cir. 1990), we noted that pursuant to the United States Supreme Court's decision in *Sperry Gyroscope Co. v. Arma Engineering Co.*, 271 U.S. 232, 235-36 (1926), § 1498(a) "is to be applied, at least with respect to suits to which the United States is not a party, as a codification of a defense and not as a jurisdictional statute." *Manville*, 917 F.2d at 554, 16 USPQ2d at 1595. Therefore, dismissal of a lawsuit against a private party pursuant to § 1498(a) is a dismissal because of the successful assertion of an affirmative defense rather than a dismissal because of the district court's lack of subject matter jurisdiction over the patent infringement claim. *Id.* at 554-55, 16 USPQ2d at 1595-96.

II.

As noted above, after Crater filed suit, Lucent moved for dismissal pursuant to Fed. R. Civ. P. 12(b)(1) and (6). Lucent claimed that, under 28 U.S.C. § 1498(a), Crater could not properly assert its claims for patent infringement against Lucent because the accused devices were manufactured by or for the government with its authorization and consent. Lucent asserted that Crater's only remedy was against the United States in the Court of Federal Claims. Lucent also claimed that the district court did not have original jurisdiction over Crater's state

claims because there was no diversity of citizenship between Crater and Lucent, both corporations residing in Delaware. It further claimed that, since the district court lacked jurisdiction over the infringement claims, the court could not exercise supplemental jurisdiction over the state law claims. Accompanying Lucent's motion was an affidavit from Paul M. Rominski, a Lucent employee, indicating that Lucent's work in connection with the allegedly infringing coupler was done for the government with its authorization.

On August 27, 1998, shortly after Lucent's motion was filed, Crater moved to strike Mr. Rominski's affidavit. In support of the motion to strike, Crater asserted that the affidavit was defective because it was not based upon Mr. Rominski's personal knowledge of the pertinent facts. Crater also requested an evidentiary hearing on Lucent's motion to dismiss, additional time to respond to Lucent's motion, and leave to conduct discovery in support of its motion to strike and in opposition to the motion to dismiss. In its papers, Crater alleged that Lucent had engaged in commercial use of the allegedly infringing coupler. It also alleged that Lucent had provided the couplers to private parties and that not all of Lucent's work on the coupler was done for the government. In response to Crater's request, the district court allowed discovery.

After discovery began, the United States intervened on March 12, 1999, to formally assert the state secrets privilege and to argue against any discovery by Crater regarding the manufacture or use of the allegedly infringing coupler by or on behalf of the United States. The state secrets privilege and the circumstances surrounding its

assertion in this case are discussed *infra* in Part III of the DISCUSSION section of this opinion.

After over a year of discovery, Crater filed its opposition to Lucent's motion to dismiss on August 9, 1999. Crater supported its opposition with the deposition of Mr. Rominski. Lucent replied and supplemented its motion with the affidavit and deposition of Mr. Rominski, the deposition of Barry Lack, a former Lucent employee, and the deposition of Kenneth M. Nagengast, a current Lucent employee. Lucent also referenced, in its reply, its responses and the government's responses to Crater's interrogatories and the documents the government produced during discovery. Thereafter, on August 25, 1999, the district court granted Lucent's motion. *Crater II*, slip op. at 6. The court noted that Crater had failed to produce any evidence, over several months of discovery, indicating that Lucent performed any "work in regards to [Crater's] patent for any entity or individual other than the [g]overnment." *Id.* at 4. The court also noted that no evidence had been produced to indicate that Lucent performed any work on the coupler without the government's authorization or consent. *Id.* The court determined, based upon this lack of evidence, that "all the work performed by [Lucent] in this matter with regard to the [a]ccused [d]evice was performed for the United States Government with the authorization or consent of the United States Government. As a result, the Court of Federal Claims, not this district court, has the exclusive jurisdiction over this cause of action." *Id.* at 6. Therefore, the court granted Lucent's motion to dismiss and entered judgment against Crater. *Id.* at 6-7. The court also concluded that Crater's motion to strike Mr.

Rominski's affidavit was irrelevant in light of the several months of discovery that had occurred after the affidavit was filed. *Id.* at 4-5. Consequently, the court did not rule on the motion. *Id.* at 4 n.2. The court noted, however, that granting the motion to strike would not lead to a different result as far as Lucent's motion to dismiss was concerned. *Id.* at 4-5.

Crater appealed the dismissal of its complaint to the United States Court of Appeals for the Eighth Circuit. The Eighth Circuit transferred the appeal to this court pursuant to 28 U.S.C. § 1631.[2] The Eighth Circuit ruled that Crater's claims against Lucent arose, in whole or in part, under the federal patent laws, thereby vesting this court with exclusive appellate jurisdiction under 28 U.S.C. § 1295(a)(1).

DISCUSSION

I.

Federal Rule of Civil Procedure 12(b) provides that if, as in this case, on a 12(b)(6) motion "to dismiss for failure of the pleading to state a claim upon which relief can be granted, matters outside the pleading are presented to and not excluded by the court, the motion shall be treated as one for summary judgment and disposed of as provided in Rule 56." *See Rotec Indus., Inc. v. Mitsubishi Corp.*, 215 F.3d 1246, 1250, 55 USPQ2d 1001, 1003 (Fed. Cir. 2000). Summary judgment "shall be rendered forthwith if

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[2] Section 1631 provides for transfers of cases that have been filed in the wrong court in order to cure the resulting lack of jurisdiction.

the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law." Fed. R. Civ. P. 56(c); *Celotex Corp. v. Catrett*, 477 U.S. 317, 322 (1986); *Dammen v. UniMed Med. Ctr.*, 236 F.3d 978, 980 (8th Cir. 2001). The burden is initially upon the movant to establish the absence of any genuine issue of material fact and entitlement to judgment as a matter of law. *Celotex*, 477 U.S. at 323-24. Once "a properly supported motion for summary judgment is made, the adverse party 'must set forth specific facts showing that there is a genuine issue for trial.' " *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 250 (1986) (citing Fed. R. Civ. P. 56(e)) (footnotes omitted). We review a grant of summary judgment without deference. *Conroy v. Reebok, Int'l, Ltd.*, 14 F.3d 1570, 1575, 29 USPQ2d 1373, 1377 (Fed. Cir. 1994). In addition, we must, as the district court was required to do, draw all reasonable factual inferences in favor of the nonmovant. *Anderson*, 477 U.S. at 255.

II.

Crater argues that Lucent failed to submit any competent evidence to meet the standard for summary judgment. Crater asserts that Mr. Rominski's affidavit, that was submitted with Lucent's motion to dismiss, was not based on Mr. Rominski's personal knowledge, and thus could not be relied on by the district court. Crater also argues that the district court improperly considered evidence that was not submitted by Lucent until it replied to

Crater's opposition to the motion to dismiss. Crater further argues that the district court then failed to give Crater a chance to respond to the evidence. Finally, Crater argues that it submitted evidence that creates a genuine issue of material fact as to whether all of Lucent's couplers were made for the government.

Lucent responds that the Rominski affidavit was based on personal knowledge. In any event, it urges, apart from the Rominski affidavit, it brought forward enough evidence to make it clear that Lucent did not use or make the allegedly infringing coupler for any commercial, non-government purpose. Lucent also asserts that the evidence it submitted with its reply brief did not prejudice Crater because Crater already was aware of similar evidence that established that Lucent's only work on the coupler was for the government and under the government's authorization. Lucent argues that the unique circumstances of the case, in which discovery was taken after Lucent's initial brief in support of its motion to dismiss, forced Lucent to submit the challenged evidence with its reply brief.

A. *The issue of the Rominski affidavit*

Lucent moved for dismissal on August 17, 1998. As indicated above, it did so based in large part on 28 U.S.C. § 1498(a). Lucent argued that any work it had done involving the '129 patent was performed for the government and with the government's authorization and consent. *Crater II*, slip op. at 1-2. To support its claim, Lucent submitted the Rominski affidavit. After identifying himself as a Lucent employee, Mr. Rominski asserted that

Lucent had performed work as a subcontractor on a government project involving "the development of certain prototype equipment, one element of which was a coupler device of a kind known as a quick disconnect coupler." Mr. Rominski further asserted that, based upon his personal knowledge, he could state that all of Lucent's activities involving the coupler "were solely for the Government in connection with the development project [he] was working on under the classified development contract."

As indicated above, Crater requested, and was granted, additional time to conduct discovery. The court allowed Crater to seek discovery on "(1) whether defendants made, used, or sold the Accused Device ('Accused Device' meaning split valve coupling device), to or for anyone other than the United States of America, and (2) whether the United States Government gave its authorization or consent to defendants for their manufacture of the Accused Device." *Crater Corp. v. Lucent Techs.*, No. 4: 98CV00913 ERW, slip op. at 2 (E.D. Mo. Sept. 17, 1998) (order) ("*Crater I*"). The discovery that was conducted included about twenty-five requests for production and interrogatories, to which Lucent responded. In addition, Lucent provided supplemental responses for at least seven of Crater's interrogatories and provided answers to Crater's proposed additional discovery requests. Crater deposed Mr. Rominski, Mr. Lack, and Mr. Nagengast. Crater also received documents and interrogatory responses from the United States. When Crater responded to Lucent's motion to dismiss on August 9,

1999, it also moved to strike the Rominski affidavit. Crater argued that the affidavit was defective because, notwithstanding its language, it was not based upon Mr. Rominski's personal knowledge. *See* Fed. R. Civ. P. 56(e); *McSpadden v. Mullins*, 456 F.2d 428, 430 (8th Cir. 1972). Crater contended that certain statements made by Mr. Rominski when he was deposed undermined the assertion in his affidavit that he had personal knowledge with respect to the Lucent coupler project. Appellant Br. at 49-53. Specifically, Crater points to testimony by Mr. Rominski in his deposition that, although he was an engineer involved in Lucent's underwater fiber optic connector project, he had no responsibilities with respect to the negotiating or signing of contracts in connection with the "government program." As noted above, in ruling in favor of Lucent, the district court did not rule on the motion to strike the Rominski affidavit, stating that, in view of the discovery that had taken place, the issue was moot. The court further stated that granting the motion to strike would not have changed the result in the case. Under these circumstances, we have not considered the Rominski affidavit.

B. *Evidence relevant to the § 1498(a) affirmative defense*

Disregarding Mr. Rominski's affidavit, we hold that Lucent still provided sufficient evidence of record to meet its burden under the summary judgment standard. All of the evidence that was produced during discovery indicated that Lucent's work on the allegedly infringing coupler was done for the government. Lucent, in its supplemental answers to Crater's interrogatories on

March 31, 1999, stated that it had "not designed, developed, manufactured, sold, or offered for sale, directly or through another, any [allegedly infringing coupler] to or for anyone other than the United States of America." The response continued, noting that Lucent's work on the coupler was part of a classified development project for the government. Lucent further indicated, on July 16, 1999, in its response to Crater's proposed additional discovery, that the chain of custody of all of the couplers it made was from Lucent to the government, and the government now owned all of the couplers. The government also provided evidence to support Lucent's defense. On July 15, 1999, in response to Crater's supplemental interrogatories and requests for production, the government affirmed the existence of a classified development contract covering work on the coupler for the government, under which Lucent was a subcontractor, providing the specific dates the contract covered. The government also produced redacted copies of the classified contract between the government and the primary contractor and the subcontract between the primary contractor and Lucent. The contract between the government and the primary contractor indicated that work under the contract was authorized by the government. This evidence alone substantiates Lucent's claim that it was a subcontractor working on the coupler project for the government, thereby establishing Lucent's defense under § 1498(a).

The evidence Lucent submitted with its reply brief further buttressed Lucent's defense under § 1498(a). The deposition testimony of Mr. Nagengast, who was an engineer at Lucent who worked with the coupler, indicated

that all of the work done on the coupler was for the government. Mr. Nagengast testified that all of the couplers made were sold to the government and all work on the coupler project was billed to a government program account. Mr. Nagengast also stated that he was never involved in discussions suggesting that Lucent was engaging in commercial use of the coupler. Mr. Lack, who worked on the coupler at Lucent, testified in his deposition that all of the work on the coupler at Lucent was associated with a classified program for the government. Finally, in a declaration, Martin I. Finston, in-house counsel at Lucent, stated that Lucent's work on the coupler was part of a classified government project under which Lucent was a subcontractor. Mr. Finston indicated that the contract under which Lucent performed its work on the coupler contained a provision stating that "the government authorizes and consents to all use and manufacture of any invention described in and covered by a United States patent in the performance of the contract."

Crater is correct that Lucent first presented the Finston declaration and the Nagengast and Lack deposition testimony with the reply brief that it filed on August 17, 1999, in support of its motion to dismiss. However, since discovery was not granted until *after* Lucent's initial motion to dismiss, filed on August 17, 1998, the only chance Lucent had to submit evidence produced during discovery was with its reply brief. *See* E.D. Mo. L.R. 3.02(a) (July 1, 1998) (prohibiting the filing of discovery and disclosure material except as exhibits to a motion or memorandum). In addition, the depositions of Mr. Nagengast and Mr. Lack were taken at the request of Crater, whose counsel examined the two witnesses. Not

only did Crater have notice of the depositions and their contents, but Crater filed its opposition to Lucent's motion to dismiss on August 9, 1999, *after* the depositions were taken on July 30, 1999. In the cases Crater cites to support its argument that the evidence offered by Lucent should be ignored, *Black v. TIC Investment Corp.*, 900 F.2d 112, 116 (7th Cir. 1990), and *Cia. Petrolera Caribe, Inc. v. Arco Caribbean, Inc.*, 754 F.2d 404, 409-10 (1st Cir. 1985), evidence submitted with a reply brief was rejected because it was new and the opposer was never given an opportunity to respond to it. Crater had ample opportunity and notice of the substance of the declaration and deposition evidence Lucent submitted with its reply brief, and it was able to adequately address the evidence in its opposition brief.

Contrary to its argument on appeal, Crater failed to come forward with any evidence that raised a genuine issue of material fact so as to defeat summary judgment, even though it had the opportunity to develop relevant evidence in discovery. The district court provided Crater with almost a year to perform discovery as to whether Lucent engaged in any commercial activity with regard to the allegedly infringing coupler device. Crater points to Mr. Rominski's deposition to prove that Mr. Rominski did not have personal knowledge of the facts contained in his affidavit. However, even if Mr. Rominski's affidavit is insufficient, all of the other evidence produced during discovery supports Lucent's claim that its activities involving the coupler were authorized by the government. Crater also asserts, based upon the affidavits of Steven P. Van Keuren, the president of Crater, that there was a discrepancy between the number of couplers the

government indicates Lucent made for it and the number of couplers Lucent admits to making. However, there is no such discrepancy in Lucent's and the government's responses, both of which indicate that all of the couplers made by Lucent were for the government. We conclude that there is no genuine issue of material fact that Lucent's work on the coupler project was for the government.

For the foregoing reasons, we hold that summary judgment was properly granted in favor of Lucent on its affirmative defense under 28 U.S.C. § 1498(a). The district court did err in dismissing Crater's complaint for lack of jurisdiction, however. *See Manville*, 917 F.2d at 554-55, 16 USPQ2d at 1595-96 (noting that § 1498(a) is not jurisdictional, but provides an affirmative defense for private parties charged with patent infringement). Since the district court's dismissal of Crater's patent infringement claim based upon § 1498(a) could not be a dismissal for lack of jurisdiction, the district court had original jurisdiction over the case by reason of Crater's patent claims. *See* 28 U.S.C. § 1338(a); *Leatherman Tool Group Inc. v. Cooper Indus., Inc.*, 131 F.3d 1011, 1013, 44 USPQ2d 1837, 1839-40 (Fed. Cir. 1997). Having original jurisdiction based on Crater's patent law claims,[3] the district court has supplemental jurisdiction over Crater's state law claims for breach of contract and misappropriation of trade secrets because those claims "form part of the same

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[3] Crater does not dispute that both parties are citizens of Delaware. Therefore, the district court cannot exercise original jurisdiction over Crater's state law claims under 28 U.S.C. § 1332(a) based on diversity of citizenship.

case or controversy," 28 U.S.C. § 1367(a). *Textile Prods., Inc. v. Mead Corp.*, 134 F.3d 1481, 1486, 45 USPQ2d 1633, 1637 (Fed. Cir. 1998). Even though Crater's patent infringement claims were properly dismissed, the district court still has the discretion to exercise supplemental jurisdiction over the state law claims. 28 U.S.C. § 1367(c); *Gaia Techs., Inc. v. Reconversion Techs., Inc.*, 93 F.3d 774, 781, 39 USPQ2d 1826, 1832, *amended in part by* 104 F.3d 1296, 1297, 41 USPQ2d 1134, 1140 (Fed. Cir. 1996). We must therefore remand the state law claims for the district court to determine, in its discretion, whether it will retain jurisdiction over them.

III.

As noted above, on March 12, 1999, the United States officially intervened and moved to bar any discovery regarding the manufacture or use of the coupler by or on behalf of the United States. The government asserted that any information to be obtained in such discovery was protected by the state secrets privilege. The state secrets privilege allows the United States to "block discovery in a lawsuit to any information that, if disclosed, would adversely affect national security." *Ellsberg v. Mitchell*, 709 F.2d 51, 56 (D.C. Cir. 1983). The privilege is invoked to prevent "impairment of the nation's defense capabilities, disclosure of intelligence-gathering methods or capabilities, and disruption of diplomatic relations with foreign governments." *Id.* at 57 (footnotes omitted). *See also United States v. Reynolds*, 345 U.S. 1 (1953).

The government supported its motion with both an unclassified and a classified declaration of Richard J.

Danzig, Secretary of the Navy. At the court's request, on March 23, 1999, the government presented the classified declaration to the court for *in camera* inspection outside the presence of Crater and Lucent. The court granted the government's motion, barring any discovery or the service of any subpoena for information relating to the manufacture or use of Crater's patented coupling device, or any coupling device, by or on behalf of the United States.

On appeal, Crater argues vigorously that the government failed to meet the threshold requirements for proper assertion of the state secrets privilege. Crater contends that Secretary Danzig failed to review the documents Crater was seeking in order to determine whether assertion of the privilege truly was necessary. Crater also contends that the material it sought in discovery could not be protected under the state secrets privilege because the government and its agents had voluntarily revealed the material, thereby vitiating the privilege. Finally, Crater contends that the district court erred in not reviewing each document with respect to which the privilege was being asserted.

We conclude, however, that it is not necessary for us to address Crater's arguments concerning the state secrets privilege. The reason is that we believe that the issue of the privilege is irrelevant to the question that is before us on appeal – whether the district court erred in dismissing Crater's patent infringement claims against Lucent based upon the affirmative defense of 28 U.S.C. § 1498(a).

Even before the government intervened in the case and invoked the privilege, the district court had limited

discovery on Lucent's motion to dismiss to evidence relevant to the § 1498(a) issue – evidence relating to the question of whether Lucent made, used, or sold the coupler device to or for anyone other than the government. *Crater I*, slip op. at 2. The only information relevant to Crater's opposition to Lucent's motion was information of commercial use of the coupler by Lucent. The privilege, by definition, only barred discovery of evidence of *non-commercial* use of the coupler by Lucent. The fact the district court allowed the government to assert the privilege had no bearing on Crater's ability to discover evidence that would have created a genuine issue of material fact as to whether Lucent engaged in commercial activity regarding the coupler. Therefore, we do not decide whether the privilege was erroneously invoked because any evidence that was protected by the privilege was not relevant to Crater's opposition to Lucent's motion.[4]

CONCLUSION

We affirm the district court's dismissal of Crater's patent infringement claims because there is no genuine issue of material fact that Lucent's use and manufacture of the allegedly infringing coupler was for the government. Because Lucent established its affirmative defense under 28 U.S.C. § 1498(a), Lucent's activities cannot be

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[4] In a related matter, Crater claims that the district court took part in what Crater characterizes as three improper *ex parte* communications with the government. We have carefully considered Crater's claim and see no impropriety in the court's communications with government counsel.

held to be infringing. However, as explained above, the district court did have jurisdiction over Crater's patent claims. Therefore, the district court erred in dismissing Crater's complaint for lack of jurisdiction. We therefore vacate the district court's dismissal of Crater's complaint and remand the case to the district court so that the court may decide whether, in its discretion, to exercise jurisdiction over Crater's state law claims.

AFFIRMED-IN-PART, VACATED-IN-PART, and REMANDED.

Each party shall bear its own costs.

United States Court of Appeals for the Federal Circuit

00-1125

CRATER CORPORATION,

Plaintiff-Appellant,

v.

LUCENT TECHNOLOGIES, INC. and AMERICAN TELEPHONE AND TELEGRAPH COMPANY,

Defendants-Appellees,

and

UNITED STATES,

Defendant-Appellee.

Judgment

ON APPEAL from the UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF MISSOURI

in CASE NO(S). 98-CV-0913

This CAUSE having been heard and considered, it is

ORDERED and ADJUDGED:
AFFIRMED-IN PART, VACATED-IN-PART, and REMANDED

ENTERED BY ORDER OF THE COURT

DATED JUN 6 2001

/s/ Jan Horbaly lk
Jan Horbaly, Clerk

ISSUED AS A MANDATE: September 24, 2001

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

CRATER CORPORATION,	)	
Plaintiff,	)	
	)	Case No.
vs.	)	4:98CV00913 ERW
LUCENT TECHNOLOGIES, INC. and AMERICAN TELEPHONE AND TELEGRAPH COMPANY,	)	
Defendant(s).	)	

MEMORANDUM AND ORDER

(Filed Aug. 25, 1999)

This matter is before the Court upon defendants' Motion to Dismiss [Document #8].

I. SUMMARY OF THE PROCEEDINGS IN THIS MATTER.

Plaintiff Crater Corporation filed this suit against the defendants on May 22, 1998. In its complaint, plaintiff alleges that the defendants infringed on plaintiff's patent and caused others to infringe on plaintiff's patent and that defendants took and misappropriated confidential information of plaintiff concerning plaintiff's patented device without plaintiff's permission. Plaintiff's claims against defendants consisted of both state law claims as well as federal claims under the patent laws of the United

States. Plaintiff alleged, at least at the outset of this case, that this Court had diversity jurisdiction over plaintiff's state law claims and federal jurisdiction over plaintiff's patent law claims. However, because it appears from plaintiff's complaint that plaintiff and defendant Lucent are both incorporated under the laws of Delaware, making them citizens of the same state, plaintiff is unable to establish that complete diversity exists in this matter.

As a result of the lack of diversity jurisdiction in this matter, this Court would not have jurisdiction over this matter if the Court does not have jurisdiction over plaintiff's federal patent infringement claims. On August 17, 1998, the defendants moved to dismiss this action on the ground that this Court does not have jurisdiction over plaintiff's patent infringement claims. In support of their Motion, defendants contended, with documentary support from the affidavit of Paul Rominski, that any of their work involving the patent at issue was performed for the United States Government and with its authorization and consent. As a result, defendants argued that the Court of Federal Claims had exclusive jurisdiction over plaintiff's patent infringement claims pursuant to 28 U.S.C. 1498(a). Therefore, defendants argued, this Court lacked any jurisdictional basis to hear plaintiff's claims.

In response, plaintiff requested, among other things, a ninety day extension in which to perform discovery on the facts supporting defendants' claim that the alleged patent infringement claims at issue should have been filed in the Court of Federal claims pursuant to 28 U.S.C. § 1498(a), Document #12. While plaintiff's attempts at discovery did not proceed expediently at the outset, in part because the defendants represented to the Court that

they could not disclose certain information due to their obligation to keep certain information confidential under their contract with the United States Government, plaintiff was granted several extensions of time in which to conduct discovery and was allowed to conduct discovery on the issue of defendants' use of plaintiff's patent for any entity other than the United States Government. However, plaintiff's attempt to conduct discovery was limited following the Court's finding that the Government was entitled to assert the state secrets privilege in this matter. Notwithstanding the Government's presence in this action to protect the state secrets threatened by plaintiff's discovery, plaintiff was allowed to conduct discovery related to defendants' use of plaintiff's patent for purposes other than on behalf of the United States Government.

Plaintiff filed its response to defendants' Motion to Dismiss on August 9, 1999. In its response, plaintiff asserts that defendants' Motion to Dismiss should be denied, because the affidavit of Mr. Rominski, which was attached to defendants' Motion to Dismiss, was not based on his personal knowledge. Defendants filed their reply to plaintiff's Motion to Dismiss on August 17, 1999, exactly one year after defendants' originally filed their Motion to Dismiss. Having reviewed the briefs filed by the parties in relation to this issue, having participated in multiple hearings regarding plaintiff's discovery efforts, and having considered the Government's claim of entitlement to the state secrets privilege, the Court concludes that plaintiff's claims should be dismissed, because this Court lacks jurisdiction over plaintiff's claims against defendants.

II ANALYSIS.

Pursuant to 28 U.S.C. § 1498(a),[1] Congress has vested exclusive jurisdiction in the Court of Federal Claims over actions for patent infringement against the United States Government. *See generally Croydon Co., Inc. v. Unique Furnishings, LTD.*, 831 F. Supp. 480, 482-83 (E.D. N.C. 1993). While the plaintiff in this matter has not directly sued the United States Government, section 1498 still vests exclusive jurisdiction in the Court of Federal Claims if the defendants' use or manufacture of a device covered by plaintiff's patent was for the Government and "with the authorization or consent of the Government," because under section 1498, such use "shall be construed as use or manufacture for the United States." 28 U.S.C. § 1498(a). *See also Croydon Co.*, 831 F. Supp. at 482-83.

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[1] Section 1498(a) provides as follows in relevant part:

> "Whenever an invention described in and covered by a patent of the United States is used or manufactured by or for the United States without license of the owner thereof or lawful right to use or manufacture the same, the owner's remedy shall be by action against the United States in the United States Court of Federal Claims for the recovery of his reasonable and entire compensation for such use and manufacture . . .
>
> For the purposes of this section, the use or manufacture of an invention described in and covered by a patent of the United States by a contractor, a subcontractor, or any person, firm, or corporation for the Government and with the authorization or consent of the Government, shall be construed as use or manufacture for the United States."

Notwithstanding plaintiff's repeated attempts over several months to discover evidence indicating that defendants' use of plaintiff's patent was for an individual or entity other than the Government or was not performed with the authorization or consent of the Government, no evidence presented to the Court indicates that defendants performed work in regards to plaintiff's patent for any entity or individual other than the Government. Similarly, no evidence indicates that defendants performed such work without the authorization or consent of the Government. For this reason, the Court finds that defendants' Motion to Dismiss should be granted.

In addition, the Court does not believe that plaintiff's attempt to strike the affidavit of Mr. Rominski should lead to a contrary result.[2] Denying the Motion to Dismiss on such a technicality would require the Court to turn its back on the several months of discovery undertaken by the plaintiff in this case. While the original Motion to Dismiss may have been based in large part, if not entirely, on the Rominski affidavit, plaintiff requested additional time to conduct discovery on the jurisdictional issue, because "the disputed facts in this case require discovery to determine the truth." Plaintiff's Brief in Support of Motion for 90 Day Extension [Document #12] at pg. 8. Plaintiff stated that discovery to uncover the truth was necessary, because "Defendants' affidavit is conclusory and not based upon personal knowledge, and because [plaintiff] has not had any reasonable opportunity to conduct discovery on the disputed issues . . . " *Id.* Now,

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[2] This statement by the Court should not be construed as a finding that the Court would strike Rominski's affidavit.

after conducting discovery in the search for the truth over a period of several months without uncovering any evidence supporting its position, plaintiff opposes the Motion to Dismiss solely on the ground that the Rominski affidavit was not based on his personal knowledge. However, plaintiff's argument ignores the fact that its original attack on the Rominski affidavit was one of the factors leading to the discovery undertaken in this matter. At least one of the purposes of such discovery was to ascertain if any real facts supported the defendants' Motion as corroborated by the Rominski affidavit. As a result, plaintiff needed to come forward with specific facts demonstrating the falsity of the defendants' assertions, as corroborated by the Rominski affidavit. Instead, plaintiff only attacks the Rominski affidavit. The Court will not deny the Motion to Dismiss on that ground alone, especially when all the events and discovery in this action since August of 1998 indicates that defendants' Motion should be granted.[3]

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[3] While defendants note that recent deposition testimony and an affidavit provided by former and present Lucent employees corroborate the Rominski affidavit, *see* Nagengast Deposition at 58-59; Lack Deposition at 10-11; Declaration of Martin I. Finston, the Court also notes that the Government's presence in this case in asserting the state secrets privilege established that at least some of the work performed by defendants in regards to the Accused Device was performed with the authorization or consent of the Government. *See Croydon Co., Inc.*, 831 F. Supp. at 484 (noting that Government need not "expressly" provide authorization and consent to patent infringement if it "effectively" gave such authorization "by contracting for and accepting delivery of the alleged infringing manufacture").

III. CONCLUSION.

For the reasons set forth in this Memorandum and Order, the Court finds that all the work performed by the defendants in this matter with regard to the Accused Device was performed for the United States Government with the authorization or consent of the United States Government. As a result, the Court of Federal Claims, not this district court, has the exclusive jurisdiction over this cause of action. Therefore, defendants' Motion to Dismiss shall be granted.

Accordingly.

IT IS **HEREBY ORDERED** that defendants' Motion to Dismiss [Document #8] is **GRANTED**. Plaintiff's claims shall be dismissed without prejudice so that plaintiff can refile its patent infringement claims in the Court of Federal Claims against the United States Government if necessary and its state law claims against defendants in a proper state court if necessary;

IT IS **FURTHER ORDERED** that to the extent the Government has requested, orally or otherwise, that the Court unseal its Memorandum and Order of March 24, 1999 [Document #70], such request is **DENIED**; and

IT IS **FURTHER ORDERED** that all other pending motions in this matter are **DENIED** as moot.

An appropriate judgment shall accompany this memorandum and order.

Dated this 25th day of August, 1999.

/s/ E. Richard Webber
E. RICHARD WEBBER
UNITED STATES DISTRICT
JUDGE

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

CRATER CORPORATION, Plaintiff, vs. LUCENT TECHNOLOGIES, INC. and AMERICAN TELEPHONE AND TELEGRAPH COMPANY, Defendant(s).	)	Case No. 4:98CV00913 ERW

JUDGMENT

(Filed Aug. 25, 1999)

In accordance with the Memorandum and Order of this Court filed on this date and incorporated herein,

IT IS HEREBY ORDERED, ADJUDGED and DECREED that plaintiff's claims against defendants are dismissed without prejudice.

Dated this 25 day of August, 1999.

/s/ E. Richard Webber
E. RICHARD WEBBER
UNITED STATES
DISTRICT JUDGE

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

CRATER CORPORATION, Plaintiff, vs. LUCENT TECHNOLOGIES, INC. and AMERICAN TELEPHONE AND TELEGRAPH COMPANY, Defendant(s).	)	Case No. 4:98CV00913 ERW

MEMORANDUM AND ORDER

(Filed Aug. 19, 1999)

This matter is before the Court upon plaintiff's Motion to Compel, Motion for Sanctions, and Motion to Allow Supplemental Brief Opposing Defendants' Motion to Dismiss [Document #128]. Having heard the arguments advanced by the parties in regards to these issues at the hearing held on this date in this matter, the Court concludes that the defendants' responses to plaintiff's supplemental interrogatories were complete in addressing all relevant issues under all of the facts and circumstances of this case, including consideration of the state secrets privilege raised by the Government.

Accordingly,

IT IS HEREBY ORDERED that plaintiff's Motion [Document #128] is **DENIED.**

Dated this 19th day of August, 1999.

/s/ E. Richard Webber
E. RICHARD WEBBER
UNITED STATES
DISTRICT JUDGE

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

CRATER CORPORATION,	)	
PLAINTIFF,	)	
vs.	)	No. 4:98-CV-913-ERW
LUCENT TECHNOLOGIES, INC., and AMERICAN TELEPHONE and TELEGRAPH COMPANY,	)	
DEFENDANTS,	)	
and	)	
UNITED STATES of AMERICA,	)	
INTERVENOR.	)	

MOTION HEARING

BEFORE THE HONORABLE E. RICHARD WEBBER
UNITED STATES DISTRICT JUDGE

JULY 2, 1999

REPORTED BY: GARY BOND
OFFICIAL U.S. COURT REPORTER
812 U.S. COURTHOUSE
1114 MARKET STREET
ST. LOUIS MISSOURI 63101
314/406-1952

* * *

[3] ST. LOUIS, MISSOURI; JULY 2, 1999

3:00 P.M.

* * *

[6] THE COURT: The Court indicated at the last hearing, that it would cut off all discovery in this case on July 26th; I believe was the date. And while I realize that the defendant and the government have requested additional time, at the same time, it has been the government and the defendant that has wanted this matter before the Court as soon as possible.

So I guess the first thing would be to talk about the amount of time it would take to answer this discovery, and then I would propose that we go through each one of these items, one at a time, and consider the objections, if any, to each of these items. Mr. Bonacorsi?

* * *

MR. BONACORSI: For those things that the defendants can answer unilaterally, without necessary input from the government – which is very little, Your Honor – I think I can do it within a couple of weeks at [7] the most. But most other discovery that's being sought, as I read the discovery request, implicate matters that are within the state secrets privilege, and largely fall within the lap of the government.

So I am not able to address that. Your Honor, if I may add that if the government does permit disclosure of that information, it's not just a very easy thing just to go to my client and withdraw the information, as Mr. Tyler may wish to address. It is a complicated process. It's

more than asking a person a simple question. There are a lot of doors that have to be gone through.

THE COURT: Mr. Tyler?

MR. TYLER: Your Honor, after receiving plaintiff's motion to conduct this discovery, I asked government's security officers to review this. And in anticipation that Your Honor would allow this discovery to go forward, they have been working to determine what information, if any, they can provide in response to the interrogatory questions.

I think that, because that effort has already been undertaken, that I would ask for two weeks from today within which to respond to these interrogatory discovery requests. As Mr. Bonacorsi suggested to Your Honor, this is a more difficult situation than most, because of the security safeguards on information concerning this [8] confidential classified government program. And that is why we need more time than might be necessary in the usual case. But I think that the government can accomplish its obligation within two weeks from today.

MR. BONACORSI: That's fine, Your Honor.

* * *

[12] THE COURT: I understand. As I understand where we were in number 2. after you do your research there and confer with Mr. Bonacorsi, the Court would expect this one to be answered, unless it's necessary to assert the state secrets privilege.

* * *

MR. SCHULTZ: 3(a), (b), and (c) have to do with any joint defense agreement. I am seeking that, because bias and credibility is always an issue. Finally, Mr. Tyler has told me that there is no joint defense agreement with the intervenor. So that should simplify this one.

THE COURT: Who wants to speak first? Mr. Tyler or Mr. Bonacorsi?

MR. BONACORSI: Your Honor, I can address it.

THE COURT: Go ahead.

[13] discovery to be limited in this case, to whether or not my clients proceeded with the authorization and consent of the US. And, secondly, whether or not we manufactured, used, or sold for anyone other than the US. I don't see how 3(a), (b), or (c), about a joint defense agreement with any defendant or the intervenor, has anything to do with that.

It only goes to the credibility of the witness; if the witness is aware of something like that, Your Honor. There is a threshold question or a predicate question that has to be answered before this becomes relevant, even in the slightest context. I don't believe that's been attained here, and I don't believe that's relevant.

THE COURT: What's the predicate question?

MR. BONACORSI: Whether or not the witness is aware of any agreements.

THE COURT: Okay. Mr. Tyler, response?

MR. TYLER: Your Honor, in my mind, it's a simple enough question to answer. As Mr. Schultz represented, I did tell him that no such agreement exists. But –

THE COURT: All right. With the predicate question included, the Court would expect the answers to be given after there is the exchange concerning the applicability of the state privilege, after that's [14] discussed between Mr. Tyler and Mr. Bonacorsi. Next?

MR. SCHULTZ: Judge, further down, maybe I should have renumbered them. But the part in number 3 where it talks about the "classified development contract" and the "subcontract," the basis of the defendants' motion is the affidavit of Paul Rominski, where he states that the work that the defendants did on the accused device was done pursuant to a subcontract and a general contract.

My point is, I need the effective dates of both of those contracts to show that some of these Crater couplers that were made outside of those dates, were made without the authorization and consent of the United States. That's what the next two questions deal with: They ask for the effective date; the date the contract was agreed to; the date the contract ended. And that's the relevancy of that question.

THE COURT: Any other responses?

MR. BONACORSI: Your Honor, substantively, we have no objections to the questions if, again, it's within the state secrets privilege.

THE COURT: Number 4?

MR. SCHULTZ: Yes, Your Honor. I would like to look at the 53 Crater couplers for two reasons: One is, some of them, or at least one of them, I know will be very much made for commercial use and was not made for the [15] Navy. It was made of plastic. It was made see-through.

Secondly, from looking at the accused devices, I will be able to tell if they were made for the Navy. At least, I think so. And then third, there was a representation made by defendants that they only made one model. And I fully expect the 53 Crater couplers to obviously be of different type and model. But that's why I have asked to see them.

MR. BONACORSI: Your Honor, this seems to me to be a pretty blatant attempt to draw the merits of this into this case after the Court had excluded that. What these prototypes look like, has absolutely no relevance to whether we made, used, or sold those for anybody else. Counsel made reference to one of those that was made for commercial use.

That's referring to a Lucite model that we've identified in discovery. And it was manufactured by the machine shop that was involved in this government project with the government. It was part of a presentation to senior executives to what the machine shop was doing.

There was no relationship between that and commercial use. And so, judge, what these models look like has nothing to do with whether we made, used, or sold those for anybody else, or whether what we did was with the government's authorization and consent. And this is [16] entirely irrelevant.

THE COURT: Mr. Tyler?

MR. TYLER: Your Honor, again, I only reserve the government's right to assert state secrets privilege, if appropriate.

THE COURT: All right. Mr. Schultz?

MR. SCHULTZ: Judge, I believe I will be able to the look at some of these and tell they were not made for the Navy. Secondly, there's at least one of them – the Lucite one that was discussed by Mr. Bonacorsi – which, from its appearance, was not made for the navy. And even his discussion of it, where it was made for senior management, indicates that it was not made for the Navy. So that's why I would like to see it.

THE COURT: I'll come back to number 4. Number 5?

MR. SCHULTZ: Actually, number five and number six are quite similar. The affidavit of Paul Rominski refers to a "classified development contract" and also a "development subcontract" that's referred to in different phrases. I would like the Court to redact any mention of what the government program is. I am merely interested in seeing the dates of its inception and the dates of the termination of the contract, as it occurs.

I don't need to see anything in the body of it, [17] and that's why I asked to see the contract with appropriate redactions. I don't expect to see the whole thing, and I am not asking to see the whole thing, or actually, since there are two contracts, both of them. In other words, it's sort of like back up from my earlier question about when the contracts went into effect and when they ended.

THE COURT: Understanding that any reference or any production of these documents would relate only to dates of beginning and termination, what is your response, Mr. Bonacorsi?

MR. BONACORSI: We have no objection, Your Honor, as long as we have permission of the government.

THE COURT: Mr. Tyler?

MR. TYLER: I don't understand the relevance, Your Honor. As Mr. Schultz admits, this is redundant to his interrogatory requests for the dates to these contracts. Either the government can answer that question, or we can assert privilege. But assuming we can answer that question – these interrogatory questions – I don't understand why we would have to produce even a redacted copy of the government itself.

THE COURT: It does seem repetitious. Mr. Schultz?

MR. SCHULTZ: Your Honor, I suppose it's [18] three-fold. One-fold is, yes, it is repetitious. I would expect and hope that the interrogatory responses would also match up with the contract. Number 2 is, you know, judge, normally, when somebody tells you something, you tend to believe it. But if you see it in a contemporaneous document, you accept it.

And that would be the effect of this. Number 3 is that, this Missouri, the Show-Me State, it's like, "Okay. You've told me this. How about actually show me the redacted contract so I have a little more faith in the accuracy of the answer." But Mr. Tyler is correct. I hope it's totally redundant to the interrogatory answers.

THE COURT: Well, even if they exist and you see them, all you're going to see is dates.

MR. SCHULTZ: Correct. That's all I am asking.

MR. TYLER: Your Honor, I would object. Mr. Schultz has accused the United States of possibly lying to these interrogatory requests. If we could answer them, he wants – I don't know how you describe it – further evidence that the interrogatory responses by the United States are not a lie. I find that objectionable.

THE COURT: All right. We'll go to number 6.

MR. SCHULTZ: Actually, number 7, Your Honor. Number 6 is the same question about the subcontract. Your Honor, Lucent sold the Advanced Technology Systems to [19] General Dynamics. Number 7 asks how many accused devices were sold, in effect, as a result of that. So I ask, "Tell me the terms of the contract. What consideration did you get?

How many Crater couplers were sold?" And then I am going to stop right there, because the next paragraph deals with another topic. In other words, the first three questions under number 7, in effect, ask: "Did you sell any Crater couplers to General Dynamics when you sold this division," which would be a sale not to the government.

MR. BONACORSI: Your Honor, I don't see what that has to do with this lawsuit. Whether we made, sold, or used these for commercial purposes, or what we did, was with the authorization and consent of the United States. Lucent and AT&T are the defendants in this case – General Dynamics is not.

What my clients did with their operating divisions or units, has absolutely nothing to do with either of those two questions. I believe it's entirely irrelevant. As it may deal specifically with the "Crater couplers," once again, as he refers to them, it falls into the government's lap.

THE COURT: Mr. Tyler?

MR. TYLER: Again, Your Honor, only reserving the state secrets privilege.

[20] MR. SCHULTZ: I'm sorry, Your Honor. I didn't mean to interrupt.

THE COURT: Subject to that applicability of the state secrets privilege, it'll be ordered that number 7 is answered.

MR. SCHULTZ: Judge, just so you know: Number 7 has a couple of other items that I haven't brought up yet, beyond that one.

THE COURT: Go ahead.

MR. SCHULTZ: I ask in the latter part of number 7: Has AT&T and Lucent obtained the Crater couplers from anybody I subpoenaed in this action? Then I ask: Have they obtained any papers having to do with – I am going to call it the "accused device" – from anyone I have subpoenaed in this action? This mostly has to go with whether AT&T and Lucent have, in effect, sanitized some of the witnesses. So that's why I asked those two questions.

THE COURT: Number 8.

MR. SCHULTZ: Number 8 is the question about deposing approximately nine people. And this is the

topic of objection by AT&T and Lucent. These are the short depositions I requested be held in your presence. I don't mind if they're not. I just thought it would go faster, and I plan on being very brief with each one of these people.

[21] THE COURT: Okay. As I recall, defendants' responses are that at least some of the higher-ranking officials have no knowledge of this, and it would be for the purpose of harassment or something of that nature.

MR. BONACORSI: Yes, Your Honor. Again, Schacht is the former chairman of Lucent. McGinn is the current chairman of Lucent. They had nothing to do – other than running the business and doing so on a day-to-day basis – Schacht is still a member of the board of directors of Lucent.

They have nothing to do with the day-to-day operations of other business units within Lucent. And those people that have some involvement, have been named: Rominski and Nagengast. And they have been subpoenaed, and they will be produced. But the effort to, I believe to depose McGinn and Schacht, is simply pressure on my client.

THE COURT: Do you have anything to say about that, Mr. Tyler?

MR. TYLER: No, Your Honor, I don't.

THE COURT: As to these people, I am inclined to believe counsel. And why isn't it possible, to at least these two individuals, to submit written interrogatories to them to answer these specific questions?

MR. SCHULTZ: I can do that.

[22] THE COURT: That will eliminate that problem.

MR. SCHULTZ: Your Honor, for Mr. Schacht and Mr. McGinn, I can certainly submit short, written interrogatories.

THE COURT: Very well.

MR. SCHULTZ: I believe that concludes argument on my motion.

MR. TYLER: Your Honor, if I may address the depositions –

THE COURT: Yes.

MR. TYLER: – so that it would be crystal clear? If these depositions are allowed to go forward, the process by which they go forward is very important. And what the United States contemplates, is that its representatives be present, and to object to any questions that inquire into sensitive information or this secret government program.

And, in that regard, what we contemplate to be necessary, is that if the government objects to a question, that the witness is not obligated to respond thereto, until such time as that matter might be brought to the Court for determination.

We believe that this is the best way by which these depositions can be accomplished, and the privileges of the government can be maintained. And if these [23] matters, if any arise – any issues arise between the government and the plaintiff's counsel – that they can be ruled on thereafter.

THE COURT: One of the problems created by the unusual situation in this case, is that ordinarily, the ability to determine the extent of a witness' response is not to be determined by an advocate – by the Court. In this case, there is an exception.

However, I would expect, Mr. Tyler, that that authority that you request, would only be exercised very sparingly, and in no way to thwart the attempt of the plaintiff to get the information the plaintiff seeks. That's not to say that you're not to be cautious in protecting the rights of the government. I just want to make it clear that if I approve this process – which I am inclined to do – that counsel cooperate when these depositions are ongoing.

If there is an objection made, and Mr. Schultz attempts to rephrase the question and so forth, that there be some accommodation for him to get the information he's entitled to get, commensurate with your duty to protect against disclosure of information that is damaging to national security.

MR. TYLER: I understand that fully, Your Honor. In fact, Mr. Schultz and I spoke about this either [24] yesterday or the day before; and I am most certainly willing to cooperate with him. Quite often, it is a matter of phrasing a question or rephrasing a question –

THE COURT: Right.

MR. TYLER: – to allow a witness to answer in such a way as not to infringe upon the government's privilege.

THE COURT: Correct. That's exactly the point I was trying to make. You have spoken it more clearly, but that's what I would envision also.

* * *

THE COURT: I have ruled on all of them except number 4 and 5. I am moving back to number 4.

MR. SCHULTZ: Number 4 asked to see the accused devices.

* * *

[27] THE COURT: At this stage, the Court will overrule the request, or will sustain the objection to number 4.

* * *

[28] MR. TYLER: Your Honor, I'm sorry. I don't know if I understand your ruling with respect to numbers 5 and 6. Are you sustaining the government's objection?

THE COURT: Overruling the government's objection. All that will be produced will be the beginning and termination date of those contracts. All right. Moving on then to the next matter?

* * *

[29] THE COURT: For the record, that is referring to what is called Attachment to Subpoena. It's a draft which has been the subject of discussion previously. Plaintiff submitted a proposal. The government submitted a proposal. There have been some intermingling of suggestions. For the most part, it is an adoption of the government's proposal; and it is authorized. And I

thought that it was understood it would have already been sent out.

* * *

[35] THE COURT: Then there is the motion for the Court to rescind its discovery order entered for the government to recuse itself or disqualify. The Court has considered that motion. Will there be any further arguments on that motion at this time?

MR. SCHULTZ: Your Honor, my arguments are set forth in the brief that I filed.

THE COURT: Mr. Tyler?

MR. TYLER: None, Your Honor. We have been through this before.

THE COURT: That motion, at this time, will be denied.

* * *

[38] THE COURT: What is 14 days from the 26th of July?

* * *

[39] THE COURT: August 9 is the deadline. Anything further?

* * *

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF MISSOURI,
EASTERN DIVISION

CRATER CORPORATION, Plaintiff, vs. LUCENT TECHNOLOGIES, INC.; AMERICAN TELEPHONE & TELEGRAPH, INC., Defendants. UNITED STATES OF AMERICA, Intervenor.	)	Case No. 4:98CV913 ERW

HEARING ON MOTIONS

BEFORE THE HONORABLE E. RICHARD WEBBER
UNITED STATES DISTRICT JUDGE

JUNE 17, 1999, 10:05 A.M.

* * *

[4] THE COURT: All right. Before I hear from defendants and the government, let me inquire, if third parties or the defendants were asked specifically to produce all documents, all couplers, provide information relating to X or Y that was performed solely for the benefit of defendants, so long as such information does not relate to any work performed by the government, and a copy of the government's proposed order would be attached, what would be the defendants' and the government's response to such a proposition?

MR. TYLER: Your Honor, as I understand it, the [5] order would provide that any third parties that might be subpoenaed in this action would produce documents

or information only to the extent that they, what, manufacture or used any coupling device or related technology outside of any government program or any classified Navy project?

THE COURT: Correct.

MR. TYLER: On its face, Your Honor, I think we could live with that. As always, I would ask Your Honor's permission that my clients in Washington, D.C., would like to see that information so that they – or that proposed order so that they, too, could evaluate it. They have insights on these matters that I do not because it does relate to a classified program, and out of an abundance of caution, I would ask opportunity that they be given this proposed language and that they review it and we could get back to the Court quite quickly, but on its face, I believe that we could live with that, Your Honor.

THE COURT: The only reason in asking is I'm trying to short-circuit this filing time because obviously the defendants have a right and the government has a right to respond before the Court rules on this latest round of motion – this latest motion filed by plaintiff. But time keeps running in this case and I'm trying to strike at the heart of this matter and get what defendants – what plaintiff may be entitled to receive, and then I plan to put [6] a strict limitation, an absolute limitation on time, something less than plaintiff has requested, and then see what can be produced in that period of time and, if nothing, then the Court intends to rule the motion to dismiss. Let me hear from the defendants.

MR. BONACORSI: Thank you, Your Honor. As has been true throughout this case entirely, my clients are

constrained by the government's directives, but I, too, also, at first blush don't see anything wrong with what the Court proposes, except as it may relate to third parties. I believe that there were some third parties who did subcontract work for my clients in connection with this government project, and I'm not altogether sure that they would know that the work they were doing was for the government.

I understand that – and the government may wish to address this – it is not terribly common for the government contractors to disclose to third parties that the work that the government contractor is undertaking is classified work. So with that proviso, Judge, we will honor whatever the government wishes.

THE COURT: How can that be fixed?

MR. TYLER: Well, Your Honor, that is a concern and then we do need to review the specific language Your Honor has in mind. Our concern is that by operation of any [7] third-party subpoenas, no third party be compelled, pursuant to the language of that subpoena, to of course divulge any classified information or to even identify themselves as having worked pursuant to this classified program. So long as those interests can be protected, and I think that they can possibly based upon Your Honor's proposed language, then we can go forward in this matter.

THE COURT: If you know in advance who those third parties potentially may be, would it be possible to screen those individuals to determine if they in fact worked on the project?

MR. TYLER: The government would know that, Your Honor, of course, and the government could take its own precautions. What we are concerned with is while we can take those precautions, we not be confronted by language that on its face would compel the production of information that would either indicate that any given third party is in fact involved in the classified project and certainly we do not want any language that would compel the production of any information that is part of this project. Those are our two main concerns.

To the extent that plaintiffs want to go forward on their theory that their coupling device was used outside of this government project for private commercial purposes, we don't want to and need not stand in the way of such [8] discovery. And I think again, on its face, I think it might be possible, but again, we'd have to review it in writing and make sure that these concerns that have been brought up are fully addressed.

THE COURT: All right. Back to you, Mr. Schultz.

MR. SCHULTZ: Your Honor, I'm not going to reargue some of the items we've spoken of before in this case. I don't mean to waive them by not bringing them up here. In the interest of brevity, let me tell you how the order, if you were to issue it, would work. I spoke to the government about an order similar to that a couple of days ago on the phone. What would happen is the government would phone the third parties who don't know what they were working on and tell them, "You were working on it, don't tell them." The government would

not know who those third parties were until AT&T and Lucent told them.

So what would happen is, in effect, AT&T and Lucent would say, "Well, everybody who worked with us has worked on the government project, so there is no discovery that Mr. Schultz is entitled to."

Furthermore, Your Honor, the idea that this is a classified government project and there are third parties out there working on it who don't know it's classified, who don't know it's secret, who aren't treating it as secret tells you right there that what is being protected here is [9] not secret information, but public information. In other words, Your Honor, if you were a third party, a subcontractor, and AT&T said, "Hey, will you send us 10,000 nails over," and you did, that's not private. You haven't treated that as private, you haven't treated that as secret, and now what's happening here is the government and AT&T and Lucent want to take public, nonsecret information and make it secret. And the effect of your order, Your Honor, will be that AT&T and Lucent will designate all the people I've subpoenaed as having worked on a government project and then I won't get any information at all.

* * *

[10] THE COURT: Okay. Response.

MR. TYLER: Your Honor, I can state one matter that plaintiff's counsel spoke to that is incorrect, which is that the government would not know any third parties

that might have participated in this program. The government would know that fact. It would not have to rely upon the defendants in this action to identify such third parties.

Other than that, it seems that plaintiff's objection to this protective order that we are seeking is based upon wholly unfounded accusations that either the government or the defendants in this action would, if such an order were entered, notify any and all third parties that they have participated in a classified Navy program when they have not; in effect, perpetuate a fraud on this Court. I find that a rather remarkable accusation and certainly not one that can legitimately defeat a state secret privilege for the purposes of protecting classified information.

If Your Honor needs any further assistance in determining how the government's interests might be in jeopardy but for the entry of this protective order, we can provide any assistance that you might seek or ask for. Any in camera proceedings, we can go further with that if you so choose.

My problem is that, as the Supreme Court has [11] recognized and has other courts recognized, that oftentimes when attempting to explain in open court how secrets might be revealed, that explanation itself reveals sensitive information. So I am somewhat circumscribed in what I can say to this Court in open court, but I can state that we are doing this or seeking this additional protection for perfectly legitimate purposes, and I rather strenuously object to plaintiff's baseless and illegitimate accusation that the government would somehow seek to

use this additional protective order as a shield against his otherwise legitimate discovery requests.

THE COURT: Well, I have no question whatsoever, based upon what has occurred in this case up to this point, but to conclude as I have, that the state secret privilege is appropriately injected and that every attempt has been made to protect the material the government has sought to protect.

What I propose to do is to go off the record for just a moment and talk to counsel privately here in the courtroom and see if this matter can be put together in an acceptable format and, if so, then we'll go back on the record. The Court is in recess for just a minute.

MR. SCHULTZ: Your Honor, would you like my clients to leave?

THE COURT: No, that's not necessary.

[12] MR. SCHULTZ: Do you want us to approach?

THE COURT: No. There's no one here other than parties and I just feel like perhaps that we can accomplish more off the record with this. And if I say anything or anything is spoken here and anyone later wants to put it back on the record, we'll go on the record and that's fine.

(THEREUPON, an off-the-record discussion was had.)

THE COURT: Let's go back on the record.

MR. SCHULTZ: For purposes of protecting my client's rights, I object to any in camera proceeding in this

case which does not consist solely of affidavits or testimony.

THE COURT: All right.

MR. SCHULTZ: Thank you.

THE COURT: While we were off the record, I asked whether the defendants and the government could agree concerning the identity of the now 14 entities, whether they would be able to identify those of the 14 that would have to be contacted privately, and the government's counsel indicated that the government could not do that in open court, so I indicated that I would talk to counsel for the government in chambers, in camera. And Court will now be in recess subject to the objection made by Mr. Schultz. Do you have the – well, to save time, do you have the identity of [13] those –

MR. SCHULTZ: No, Your Honor, I apologize. I didn't bring my pleading book with me.

THE COURT: That's fine, we can get them here in just a moment.

MR. SCHULTZ: Sir, if you were to hand me the court file, I could find it very quickly.

THE COURT: That's not the entire court file.

MR. SCHULTZ: Could I look at it just one moment?

THE COURT: Sure.

(Pause.)

MR. SCHULTZ: Your Honor, it's not in this portion of the court file.

THE COURT: All right.

MR. SCHULTZ: If you want, I could look at the other portions. I wouldn't take me more than a minute, because it's rather a thick file which includes them.

THE COURT: Okay. He's going to bring it down. While that's being accomplished, are there other matters that we can discuss? This pretty much is the crux of it, isn't it?

MR. SCHULTZ: The crux of this portion of it.

* * *

[15] THE COURT: All right.

(Pause.)

MR. SCHULTZ: Your Honor?

THE COURT: Yes.

MR. SCHULTZ: I'd like to renew the objection I've stated previously regarding the in camera proceedings without me being there because of my prior objection about ex parte proceedings.

THE COURT: I understand.

MR. SCHULTZ: With regard to your request for the subpoenas, I have the document from your court file right here.

THE COURT: All right.

* * *

[18] THE COURT: All right. The Court will be in recess. Mr. Tyler, would you come back to chambers, please?

MR. TYLER: (He complies.)

(THEREUPON, a recess was had from 10:30 a.m. to 10:40 a.m.)

THE COURT: Court will again be in session. The Court wants to assure the parties that the Court is convinced, contrary to plaintiff's concerns, that there will be no effort, as suggested by plaintiff's counsel, to subterfuge plaintiff's attempts to get discovery and there's no necessity for it and it will not occur.

Now, what I want to do is to visit with counsel informally to attempt to very specifically draft some language for subpoenas to the 15 entities to be accompanied by the government's protective order, also determine if there is a necessity to modify that based upon defendants' request, and after that we'll go back on the record.

(THEREUPON, an off-the-record discussion was had from 10:40 a.m. to 11:15 a.m.)

THE COURT: Court will again be in session. Just to clear up what may have been misconstrued as to something I said earlier. When I came back after talking with counsel for the government in chambers I had mentioned the word "subterfuge," and the context was, earlier, Mr. Schultz had [19] indicated that he had a concern that all the defendants or the government would have to do would be to notify the parties and tell them not to answer any questions, and after talking with counsel for the government, I wanted to reassure Mr. Schultz that I was convinced that his concern that the government would subterfuge his attempts at discovery were ill-

founded and that was a concern he not need to bear. That was the context under which that was mentioned.

Now, there has been a discussion off the record among counsel and they have worked on some language that will accompany, likely, the subpoenas issued to 15 separate entities. Mr. Tyler needs some time to consult with some superiors. The Court expects to hear back by Monday. Is that likely?

MR. TYLER: That should be satisfactory, Judge.

THE COURT: All right. Mr. Bonacorsi needs likewise to check and expects to hear back perhaps sooner, but then by Monday.

MR. SCHULTZ: And Mr. Schultz needs no time because his client is right here with him, but I just want to make it clear that I preserve my objection to what's happening here.

THE COURT: Okay. Well, let me finish my statement and then I'll hear from you.

[20] MR. SCHULTZ: All right.

THE COURT: I would expect the following to happen. I would expect when I hear from respective counsel, I shall notify Mr. Schultz to issue his subpoenas or tell him to issue them with those orders attached. The Court will expect those to be issued expeditiously because there is a pending motion to dismiss in this case and continually that ruling has been delayed. I would expect the discovery cutoff in this case to be July 25th.

* * *

MR. SCHULTZ: Your Honor, I just want to make it clear that I preserve my objection to the Court's ruling [21] today and to the items we've drafted to be attached to the subpoenas.

THE COURT: Yes.

MR. SCHULTZ: Thank you, Your Honor.

* * *

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

CRATER CORPORATION, Plaintiff, vs. LUCENT TECHNOLOGIES, INC. and AMERICAN TELEPHONE AND TELEGRAPH COMPANY, Defendant(s).	)	Case No. 4:98CV00913 ERW

MEMORANDUM AND ORDER

(Filed Jun. 9, 1999)

This matter is before the Court upon plaintiff's Motion for This Court to Rescind its Discovery Orders Entered for the Government, to Recuse Itself, and to Allow Discovery on the Ex Parte Communications the Government has had with the District Court [Document #96]; plaintiff's Motion for Leave to File an Amended Motion [Document #98]; plaintiff's Motions to Compel and for Sanctions [Documents #64 and #84]; and the Government's motion to Unseal the Court's Order of March 24, 1999 [Document #82].

As a preliminary matter, the Court notes that plaintiff's Motion for Leave to File an Amended Motion [Document #98] presents and clarifies plaintiff's original Motion to Rescind, for Recusal, and for Discovery into this Court's ex parte communications with the Government. The other parties involved in this lawsuit have not

objected to plaintiff's Motion for Leave. Moreover, the Court believes that the information provided by the Amended Motion will be useful to the Court. Therefore, plaintiff's Motion for Leave to File an Amended Motion [Document #98] shall be granted.

In its Motion to Rescind, for Recusal, and for Discovery into this Court's ex parte communications with the Government, plaintiff argues that the Court's communications with the attorney for the Government while conducting an ex parte, in camera review of the documents subject to the state secrets privilege violate Local Rule 7-4.04, Missouri Judicial Canon 3(B)(7), and Missouri Supreme Court Rule 4-3.5. Those provisions prohibit ex parte communications between the Court and a party to a lawsuit.

Understanding the arguments made by plaintiff, the Court finds that plaintiff's Motion should be denied. This Court undertook the task of reviewing information subject to the states secret privilege in order to ensure that the Government was in fact entitled to assert the privilege in this case. The Court undertook such an examination for the sole purpose of preventing the Government from merely asserting the privilege and depriving plaintiff of its rights to proceed with discovery in this case. In reviewing the information possessed by the Government, this Court and the attorney for the Government communicated regarding the information. Such communications were necessitated by the Court's desire to ensure that the state secrets privilege should apply to the Government's information so that plaintiff would not be deprived of its rights to proceed with this lawsuit. While the Court did describe its discussions with the Government's attorney

as a "briefing" at the hearing in this matter on May 4, 1999, the communications between the Court and the Government's attorney related solely to the information presented to the Court for review. Following such review of the documents, the Court found that the Government was clearly entitled to assert the states secret privilege in this case.

Understanding that the Court undertook such in camera review of the documents in order to ensure that the interests of national security truly should prevent plaintiff from discovering the information subject to the states secret privilege, plaintiff now argues that the manner in which the Court conducted the examination was improper. Plaintiff's claim lacks merit. Plaintiff was present at the hearing in which the Court planned the Government's attorney's presence at the in camera review of the information in question. Plaintiff did not object to the presence of the Government's attorney at that time. In addition, the presence of the Government's attorney was necessary to ensure the safety of the information in question and to communicate with the Court regarding the information. The communications were designed to ensure the applicability of the state secrets privilege, which would in turn protect plaintiff's right to seek discovery of non-privileged information if the Court determined, through its review of the documents and communications with the Government's attorney, that the state secrets privilege was not applicable. In camera proceedings of this type are, by their nature, ex parte. The proceedings are ex parte for good reason, because, as in this case, national security may be at stake. Thus, the Court and the attorney for the Government did not act

improperly in this case. *See Ellsberg v. Mitchell*, 709 F.2d 51, 58 (D.C. Cir. 1983) (noting that "when assessing claims of a state secrets privilege, a trial judge properly may rely on affidavits and other secondary sources more often than he might when evaluating assertions of other evidentiary privileges"); *Halkin v. Helms*, 598 F.2d 1, 6-7 (D.C. Cir. 1978) (finding that district court did not act improperly in excluding plaintiff's counsel from ex parte, in camera testimony of Deputy Director of the National Security Agency, even though the Special Prosecutor was included in the in camera proceedings). Because of the sensitivity of the information possessed by the Government, plaintiff simply may not seek discovery into such information through interrogatories, document requests, or a deposition of the Government's attorney in regards to his communications with this Court. Similarly, because of the sensitivity of the information in question, the Court does not believe that the information should be disclosed to more judges than necessary. Therefore, plaintiff's motion shall be denied.

Accordingly,

IT IS HEREBY ORDERED that plaintiff's Motion for This Court to Rescind its Discovery Orders Entered for the Government, to Recuse Itself, and to Allow Discovery on the Ex Parte Communications the Government has had with the District Court [Document #96] is **DENIED.**

IT IS **FURTHER ORDERED** that the plaintiff's Motion for Leave to File an Amended Motion [Document #98] is **GRANTED.**

IT IS **FURTHER ORDERED** that the plaintiff's Motions to Compel and for Sanctions [Documents #64

and #84] and the Government's Motion to Unseal the Court's Order of March 24, 1999 [Document #82] will be further considered at a status conference in this matter to be held on June 17, 1999 at ***10:00 a.m.*** in Courtroom 1-A of the United States District Court. At the last hearing in this matter, the Court requested that the parties file supplemental affidavits and supplemental answers to interrogatories, and that the parties should discuss possible subpoenas to be submitted to third parties. The Court needs to ascertain if the parties have now resolved all discovery disputes and what future discovery, if any, will be forthcoming in this case. At the present time, the Court does not intend to extend plaintiff's time for conducting discovery or otherwise responding to the motion to dismiss beyond June 25, 1999. Failure to participate in this hearing will result in denial of any motions discussed without prejudice.

Dated this 9th day of June, 1999.

/s/ E. Richard Webber
E. RICHARD WEBBER
UNITED STATES
DISTRICT JUDGE

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF MISSOURI,
EASTERN DIVISION

CRATER CORPORATION, Plaintiff,	)	
vs.	)	Case No. 4:98CV913 ERW
LUCENT TECHNOLOGIES, INC., AMERICAN TELEPHONE & TELEGRAPH, INC., Defendants.	)	
UNITED STATES OF AMERICA, Intervenor.	)	

IN CHAMBERS HEARING ON MOTIONS

BEFORE THE HONORABLE E. RICHARD WEBBER
UNITED STATES DISTRICT JUDGE

MAY 4, 1999, 10:00 A.M.

* * *

[2] THE COURT: The matter before the Court is a motion to compel and for sanctions; is that correct?

* * *

[3] MR. SCHULTZ: – in your chambers, but I'll talk up. You know, Your Honor, as you recall, we served, "we" being Crater, served interrogatories and document requests on defendants around October 27th, 1998. There was what I considered incomplete responses to the discovery. So on January 29th, 1999, you ordered defendants to answer Interrogatory 6, 12, 15, 16, 18, and 19, and you ordered defendants to produce documents and items in

response to Document Requests 3 and 7. That was on January 29th.

If you recall, it took defendants more than two months before they got around to obeying your order. That [4] was at the end of March, I believe, and at that time, the responses they provided me in response to your order were both incomplete and evasive. I'm ready to go through them point by point, but I'd like to point out that they had almost six months from the time the responses were initially served, they had two – excuse me, from the time of interrogatories and document requests were served, and they had two months after your order to answer these items in order to provide their responses. And, honestly, Your Honor, I don't know how you can look at these purported answers and not conclude that they were intentionally evasive.

THE COURT: Well, as I understand, their position is they just – you know, they're not selling to anyone but the government and there's nothing to provide, and that's the bottom line, as I understand what they're saying. It doesn't matter how much time it takes or what happens at this point, you're never going to get anything else because they don't have anything else.

MR. SCHULTZ: Well, Your Honor, two points on that. First, it's not true. And to show it's not true, I brought some items with me here. Your Honor, as you'll recall, before this case was filed, we, meaning Crater Corporation, not me entirely, mostly Mr. Van Keuron, had some discussions with the Navy about the extent of the [5] Navy's infringement on Crater's patent, and the Navy in writing, on January 26th, 1998, told us that the Navy

had 36 made for them. And I'm referring to Exhibit G which was attached to Mr. Van Keuren's affidavit earlier in this case. We have evidence that many more than 36 were made, and at the very least the difference between what the Navy claims was made for them, 36, and the number the defendants claim would be items not made for the Navy since the Navy is not saying they were for them. And in response, I'm pointing out Exhibit G. So, Your Honor, it's simply not true –

THE COURT: Okay. Now, what's your evidence that there are more than 36 made? You said you have evidence. What is that?

MR. SCHULTZ: My evidence is, first, statements by former Lucent and Lucent employees and, secondly, component manufacturers for these things told us how many components they sent to Lucent and AT&T, and it was much more than 36.

Finally, Your Honor, I know about one in particular, one Crater coupler was made not for the Navy, but was made for a presentation to senior management, and we're going to get to that because that was something I requested here.

And finally, Your Honor, when you ordered them to answer this interrogatory, you ordered them to answer it. [6] You didn't say answer it only for the Navy or answer it not for the Navy, you said, well, tell them how many you made. And, Your Honor, they didn't even come close. I'm talking particularly about Interrogatory No. 6. So I'm willing to – if you look at Interrogatory No. 6, it asks them, tell me how many you made, who did you make them for, where did you get them, where did they go to?

And what I got in response was, we made some only for the United States. That was about it. No numbers. My point is that the number made for the United States we know is 36. Let's see how many they claim to have made. Certainly the number made for the United States is not secret. It's in open correspondence to us.

* * *

[7] THE COURT: And I mean, is there some way to document your information that you have?

MR. SCHULTZ: Yes, Your Honor. Mr. Van Keuren can provide this Court with an affidavit on that matter. In fact, he could do it by tomorrow morning, because we've previously provided answers to interrogatories that incorporate that.

* * *

[13] MR. SCHULTZ: Since I answered some questions, I want to make sure this is clear from the record, because I expect to prove that this is just a gross falsehood. Are you telling me that Mr. Rominski is the only person who designed, researched, or studied the Crater coupler?

MR. BREZINE: I'm telling you that in response to your interrogatory, Paul Rominski is the person identified.

MR. SCHULTZ: Is he the only one who did that?

MR. BREZINE: That he's the only one identified in the interrogatory response.

MR. SCHULTZ: I'm not asking you that.

THE COURT: Yeah. Don't play –

MR. BREZINE: Yes.

THE COURT: – words with me. Either he was or he wasn't.

MR. BREZINE: Yes.

THE COURT: All right.

[14] MR. SCHULTZ: Okay. Second, for the years '94, '95, '96, '97, '98, do you tell me in your answer how many you made in each one of those years?

MR. BREZINE: Rob, I think – maybe I haven't said this enough. The response states, "There was only one 'Accused Device' which defendants worked on as a part of the classified development project for the United States of America." We worked on that from '95 to '97. That device didn't have a number that you want. So only one means only one.

MR. SCHULTZ: Only one device or how many did you make?

MR. BREZINE: I guess I don't – if only one Accused Device doesn't speak for itself, I don't know how else to state it.

MR. SCHULTZ: No, what I'm asking is, or I asked for each one of those years, tell me the total number of wetmates you made, bought, used, or sold for each year. Where in your answer do you do that?

THE COURT: He says one, as I understand it.

MR. SCHULTZ: You made one wetmate total?

MR. BREZINE: My understanding is that discovery is still limited to the Accused Device as defined by this Court's order.

MR. SCHULTZ: And you're telling me you made one [15] single one. Where did the government get 36 from you guys?

MR. BREZINE: I don't know that the government wrote that letter with the Court's order in mind.

MR. SCHULTZ: No, the government wrote the letter before there was any litigation, and we had relied on this letter, we thought they were telling us the truth. So are you telling me you made one of them?

MR. BREZINE: I guess I'll say it again. The interrogatory response is accurate. It states there was only one Accused Device which defendants worked on.

MR. SCHULTZ: Well, no –

THE COURT: Just a minute. Mr. Tyler, are you able to enlighten us on this?

MR. TYLER: I'm afraid not, Your Honor. The documents that plaintiff has produced, this is correspondence from the Navy, has to speak for itself. I cannot speak in greater particulars regarding the representations made by the Navy in that correspondence.

THE COURT: Well, here's the problem, to be honest with you. When this started, it was my belief that there was a governmental interest here to be protected, and I still want to make sure that's protected. Now Mr. Schultz has produced a letter indicating that there are many of these produced. Up until the time you, Mr. Tyler,

became involved in the case, Mr. Bonacorsi felt compelled to raise, [16] even though he may not have had the power to do so, the governmental protection privilege. It has been raised, but I'm kind of feeling like there's something going on here and I'm real concerned about it. If there are all these devices floating around, I think Mr. Schultz is entitled to know precisely how many there were, who made them, and where they are, and I'm getting a little bit tired of this coming into chambers every three and four days and getting little tidbits of information that suggest to me that maybe there's some information that's being improperly concealed. And so I need to know if that's true and, if it is, then let's get it out in the open and find out how it can be disclosed and maintain the government's interest.

So I'm not sure if you, Mr. Tyler, or Mr. Bonacorsi need to have a conversation off the record and then come back on the record or what, but it's no longer satisfactory for me to play word games in saying, according to the discovery, this is what I'm going to say. The answers have to be given. If there are more documents, if there are more of these objects, I want to know about it. Okay. Where do we go from here?

MR. TYLER: Your Honor, this is John Tyler, I'm not quite certain. I mean, I look to the Navy's letter and they speak to a total of what they define as "36 brassboard/prototype engineering development units." [17] That is how they defined what they used for purposes of this classified project. I don't know whether or not that's consistent with what defendants have stated in response to their interrogatories. Our concern is that information relating to this project, the use of plaintiff's

coupling device for experimental purposes remain protected. I don't know how else I can assist in this matter.

* * *

[29] MR. SCHULTZ: With regard to 15, Your Honor, this gets back to the dispute between, they're categorizing all their activities for the government. I'm pointing out that I have evidence of commercial use and distribution of the Crater coupler, and what the interrogatory answered (sic), [30] they didn't answer. At the time we had the argument before you, if you remember, they were allowed to bring up state secrets, and for every time they brought up a state secret, you did not order them to answer. On this one they did not on that point and now they're not answering it. They've come up with a state secrets objection later and, as you know, an objection not made is waived.

THE COURT: What's next?

MR. SCHULTZ: The next one I'd like to talk about is a document request, it's No. 7.

MR. BREZINE: Your Honor, if I could, just about the state secrets privilege, I think it would be remiss of us to allow the idea of a waiver of the state secrets privilege to go by without comment. We've certainly asserted the state secrets privilege as part of discovery in this case from the outset. Part of the nature of the states secrets privilege is we're intentionally limited in our responses initially. We don't know exactly everything that the state secrets privilege covers.

As you've heard from Mr. Tyler, he's unable to tell us exactly everything that the state secrets privilege covers.

If information is covered by the state secrets privilege, if it impinges upon work we did for the government under a classified government contract, it has been clear from the outset of this case, indeed before the

* * *

[34] THE COURT: All right. The rulings are, specifically as to No. 6, there will be a ten-day period allowed for defendants' counsel to confer with government's counsel, and at that time it will be ordered that the answer be given or, in the alternative, reasons stated as to why, under the state secrets privilege, the answer cannot be given.

As to No. 12, the objection is overruled. Ten days is granted to answer No. 12.

The same with regard to No. 15, 16 – did you scratch 17 out?

MR. SCHULTZ: No, Your Honor, I didn't mean to. I apologize.

[35] THE COURT: 17, 18, and 19, except as the state secrets privilege may preclude the answering thereof.

And the same as to No. 7, the objection is overruled. Ten days are allowed to answer except as the state secrets privilege may prevent the answering of No. 7.

* * *

MR. SCHULTZ: Okay. The next matter I have on my list, Your Honor, has to do with the government's motion to unseal this Court's prior order and to – I call it a protective order, to say that any third party deponent

who believes they had done any work on a government contract involving the Crater coupler would not have to respond to subpoenas. And since it's the government's motion, do you want them to go first?

THE COURT: Mr. Brzezinski or Mr. Tyler, who will be arguing?

MR. BRZEZINSKI: Mr. Tyler.

THE COURT: Mr. Tyler.

MR. TYLER: Your Honor, I received Crater [36] Corporation's opposition to our motion. In large part, it seems to be an attempt to relitigate the government's assertion of the state secrets privilege.

THE COURT: Okay. Yeah, it did appear that way to me, but I don't want – if there are any parts of that that are new material, I'll hear it, but I don't want to cover that ground. We've covered it several times before, so –

MR. TYLER: Okay. I think what I have concern about is that Crater Corporation represents it's the government's purpose that if a subpoenaed party has done work on a government project, then that party need not produce any documents in response to the subpoena, and that's inaccurate. What we are asking of the Court is, one, that the – all third party entities, individuals who might be subpoenaed by plaintiff and asked to produce information or documents, that only to the extent that they have done work by or on behalf of the government, that they need not respond to that subpoena and divulge government information, information that we believe is within the scope of Your Honor's prior order of March

24th. And, further, that such parties need not identify themselves as having done work on behalf of the government relating to the plaintiff's coupling device or to any coupling device.

At the very least, we think it's absolutely necessary that these third parties be put on notice of Your [37] Honor's March 24th order so that they know that there is this protective order in place and that they are possibly subject to that order, only to the extent that they have done work on behalf of the government. If any third party has done work relating to plaintiff's coupling device for private commercial purposes, we do not seek to protect any such information.

THE COURT: Mr. Schultz.

MR. SCHULTZ: Sure, Your Honor. First, in the way the government's order has been drafted, it's practically unworkable in that a third party deponent could have been told by – recently by AT&T and Lucent that the work you did for us was for a government project; therefore, don't produce any documents. And there's no review by this Court, there's no test to see, one, if these third party deponents have any secret material, and, two, whether these – the belief these third party deponents may have about who they're working for is accurate.

Now, it's my understanding that government projects, especially secret ones, have standard form subcontracts. Now, if these third party deponents had a standard form government subcontract, well, that would indicate the work they did was pursuant to that contract.

If they don't, it would indicate it wasn't for the government, because I can't understand a top secret project [38] like this going on with just nongovernmental forms.

So first, the order is unworkable as stated. Two, it would protect everything they had, whether it was secret or not. And three, it would allow third party deponents to in effect decide not to obey an order if they just had a belief that they were working on a government project, even if that belief was merely based upon a telephone call from Mr. Brezine.

THE COURT: Couldn't your subpoenas be fashioned in such a way to make that differentiation?

MR. SCHULTZ: I could write them up that way, but you know, Your Honor – Your Honor, yes. The answer is yes. Two points on that. One, it certainly would be a departure from normal subpoena practice, where all you're saying is, produce these documents. Now it's produce these documents if, then this, which can be done, and I'm willing to do it. Yes.

THE COURT: All right.

MR. SCHULTZ: So the answer to your question is yes.

THE COURT: Okay.

MR. TYLER: Your Honor, if I can, one of the answers we want to avoid is if any third party has done work for the government in response to plaintiff's third party subpoenas, it not state that it has done work for the [39] government and therefore is not able to provide the information within the scope of the subpoena, and in that

regard, this is a matter, Your Honor, that I spoke to you about at the very end of our in camera meeting with you.

THE COURT: Correct.

MR. TYLER: We did not know necessarily that this situation would arise, but we thought it might, and so I brought it to Your Honor's attention. I'm afraid I cannot be any more specific in describing the government's concerns relating to this matter. However, I could again brief Your Honor and –

THE COURT: All right. No, I recall the briefing. All right.

MR. TYLER: So that basically is what we want to avoid. To the extent any third party has used plaintiff's coupling device for commercial purposes, private commercial purposes, we do not seek to preclude such discovery. However, if any third party has done work on behalf of the government relating to this project and has used either plaintiff's coupling device or a like coupling device, that must remain secret, and the fact – the very fact that a third party might have engaged in such work must also remain secret.

THE COURT: All right. I'm going to request that Mr. Schultz draft some wording to be included in the [40] subpoenas submitted to the government for review and see if the parties can reach an accommodation for language that will be included in third party subpoenas.

* * *

[43] MR. SCHULTZ: Okay. Judge, one other thing, and I hesitate to ask this, do I understand that when Mr. Tyler came to town a couple months ago with

regard to his – the government's motion for protective order –

THE COURT: Yes.

MR. SCHULTZ: – that there were ex parte discussions between –

THE COURT: Yes, there were.

MR. SCHULTZ: Okay. Was Mr. Tyler under oath?

THE COURT: I don't recall that – well –

MR. SCHULTZ: Was it more like attorney briefing and argument between you and Mr. Tyler?

THE COURT: It was a briefing.

MR. SCHULTZ: Okay. I'm just going to say it straight out, Your Honor. Please don't take offense. I [44] don't think it is appropriate under the state secrets privilege to have ex parte argument or briefings from attorneys. I think it is appropriate to have the presentation of affidavits or evidence, and I only ask respectfully that the government, just like me, speak to you in open court.

THE COURT: All right. Very well.

MR. SCHULTZ: I'm sorry, Your Honor, if I seemed harsh or something.

THE COURT: Anything further?

MR. TYLER: Your Honor, I can speak to that matter.

THE COURT: All right. Go ahead.

MR. TYLER: I have done several of these cases in which we've been called upon to submit evidence in chambers in district courts, and I know of no instance in which an attorney has not been present for purposes of presenting that evidence, not a single one. It never happens. An attorney on behalf of the United States has to be present when such evidence is presented in the form that it was presented to you. This case was handled in the usual matter.

THE COURT: Well, for the record, I'm not concerned that it was not handled properly. Anything further on the record at this time?

* * *

Court Order of March 24, 1999
Filed Separately Under Seal

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

CRATER CORPORATION, Plaintiff, vs. LUCENT TECHNOLOGIES, INC. and AMERICAN TELEPHONE AND TELEGRAPH COMPANY, Defendant(s).	)	Case No. 4:98CV00913 ERW

ORDER

(Filed Mar. 1, 1999)

This matter is before the Court upon the following Motions: (1) defendants' Motion for Confidentiality Protective Order [Document #40]; (2) plaintiff's Motion for Leave to file Plaintiff's Request for Oral Argument and Expedited Hearing on defendants' Motion for Confidentiality Protective Order [Document #45]; (3) the Government's Motion for an Extension of Time Within Which to Determine Whether to Appear in this Case [Document #46]; (4) defendants' Supplemental Motion for Protective Order [Document #47]; and (5) defendants' Request for Expedited Hearing [Document #48]. Having heard the arguments of the parties on these issues, the Court hereby makes the following orders:

IT IS HEREBY ORDERED that the Government's Motion for an Extension of Time Within Which to Determine Whether to Appear in this Case [Document #46 is **GRANTED** in part and **DENIED** in part. The Government shall have up to and including March 12, 1999 to determine whether to appear in this case *and* assert any applicable privilege.

IT IS FURTHER ORDERED that defendants' Motion for Confidentiality Protective Order [Document #40] is **GRANTED** in part and **DENIED** in part. The Court believes defendants are entitled to a protective order in this case; however, the protective order should not limit plaintiff's President's ability to file patents. The protective order also should not prohibit Chuck Monty from having access to confidential information used or located in the discovery process. The protective order also should not contain any provision closing depositions or the trial in this matter. The Court will consider whether depositions should be closed on an individual basis prior to the commencement of such depositions. The protective order also should not contain any provisions making it applicable to parties other than the parties involved in this litigation.

IT IS FURTHER ORDERED that defendants' Supplemental Motion for Protective Order [Document #47] is **DENIED** for failure to comply with Local Rule 3.04.

IT IS FURTHER ORDERED that defendants' Request for Expedited Hearing [Document #48] is **DENIED** as moot.

IT IS FURTHER ORDERED that plaintiff's request for leave to file a request for oral argument and expedited

hearing on defendants' Motion for Confidentiality Protective Order [Document #45] is **DENIED** as moot.

Dated this 1st day Of ~~February~~ March, 1999.

/s/ E. Richard Webber
E. RICHARD WEBBER
UNITED STATES DISTRICT JUDGE

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

CRATER CORPORATION,	)	
Plaintiff,	)	
	)	Case No.
vs.	)	4:98CV00913 ERW
LUCENT TECHNOLOGIES, INC. and AMERICAN TELEPHONE AND TELEGRAPH COMPANY,	)	
Defendant(s).	)	

ORDER OF HEARING

(Filed Feb. 24, 1999)

This matter is before the Court upon the Court's own motion following contacts made with this office by representatives of the United States of America as well as requests by both parties for an expedited hearing on various discovery issues.

Accordingly,

IT IS HEREBY ORDERED that a hearing will be held on February 26, 1999 at **2:30 p.m.** in Courtroom 1-A of the United States District Court. At this hearing, the parties should be prepared to discuss the following matters: (1) the Government's failure to intervene in this matter and the effect of such failure upon discovery; (2) defendants'

request for a confidentiality protective order and supplemental request for a protective order; (3) plaintiff's service of subpoenas on various third parties; and (4) any other motion or other matter now pending before this Court or requiring clarification by this Court. Failure to participate in this hearing will result in denial of any motions discussed without prejudice.

IT IS FURTHER ORDERED that discovery in this matter shall be stayed until the Court can hear these matters on the date set forth above. By granting such a stay, the Court intends to relieve third parties subject to subpoenas due on Thursday, February 25, 1999 and Friday, February 26, 1999 from responding to such subpoenas until after the hearing scheduled for February 26, 1999.

Dated this 24th day of February, 1999.

/s/ E. Richard Webber
E. RICHARD WEBBER
UNITED STATES DISTRICT JUDGE

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

CRATER CORPORATION, Plaintiff, vs. LUCENT TECHNOLOGIES, INC. and AMERICAN TELEPHONE AND TELEGRAPH COMPANY, Defendant(s).	)	Case No. 4:98CV00913 ERW

ORDER

(Filed Sep. 17, 1998)

This matter is before this Court upon Defendants' Motion to Dismiss [Document #8], Plaintiff's Motion for Leave to File First Amended Complaint [Document #9], Plaintiff's Motion to Strike Affidavit and Exhibits [Document #10], Plaintiff's Motion for an Evidentiary Hearing [Document #11], and Plaintiff's Motion for a 90 Day Extension of Time [Document #12]. In response to these motions and the arguments made by both parties, the Court enters the following order:

1. The Court will defer ruling on defendants' Motion to Dismiss [Document #8] until after December 31, 1998.

2. The Court will defer ruling on plaintiff's Motion to Strike [Document #10] until after December 31, 1998.

3. The Court will defer ruling on plaintiff's Motion for Hearing [Document #11] until after December 31, 1998.

4. The Court will **grant** Plaintiff's Motion for Extension of Time To Do Discovery Before Ruling on Defendants' Motion to Dismiss [Document #12]. Plaintiff has until December 31, 1998 to respond to defendant's Motion to Dismiss. Defendants shall have ten days following plaintiff's service of its response to defendants' motion to reply thereto.

5. The Court will **grant** Plaintiff's Motion to File First Amended Complaint [Document #9]. The First Amended Complaint is deemed filed as of September 17, 1998.

6. Defendants may answer the First Amended Complaint after the Court's ruling on pending motions.

7. Parties are granted until December 31, 1998 to conduct discovery, beginning immediately, limited to the subject matter jurisdictional issue under 28 U.S.C. §1498(a) raised by defendants' Motion to Dismiss and plaintiff's opposition thereto. The parties are permitted to proceed with discovery on the issues of (1) whether defendants made, used, or sold the Accused Device ("Accused Device" meaning split ball valve coupling device), to or for anyone other than the United States of America, and (2) whether the United States Government gave its authorization or consent to defendants for their manufacture or use of the Accused Device.

8. Discovery related to classified information or materials that are not related to the two issues listed

above is strictly prohibited. Any discovery related to classified information or materials that are related to the two issues listed above may proceed only after the Court makes further orders in response to the parties' motions or requests.

9. All other discovery, including but not limited to discovery relating to claims of infringement, breach of contract, or trade secrets, is stayed pending decision on defendants' motion to dismiss.

SO ORDERED /s/ E. Richard Webber
E. RICHARD WEBBER
UNITED STATES
DISTRICT JUDGE
September 17th, 1998.

United States Court of Appeals for the Federal Circuit

00-1125

CRATER CORPORATION,

Plaintiff-Appellant,

v.

LUCENT TECHNOLOGIES, INC. and AMERICAN TELEPHONE AND TELEGRAPH COMPANY,

Defendants-Appellees,

and

UNITED STATES,

Defendant-Appellee.

ORDER

(FILED Sept. 17, 2001)

Before MAYER, Chief Judge, NEWMAN, Circuit Judge, and SCHALL, Circuit Judge.

A petition for rehearing having been filed by the APPELLANT, and a response thereto having been invited by the court and filed by the APPELLEES*,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for rehearing be, and the same hereby is, DENIED.

The mandate of the court will issue on September 24, 2001.

---

* Responses were filed by the United States, and Lucent Technologies, Inc. and American Telephone and Telegraph Company.

FOR THE COURT,

/s/ Jan Horbaly AV)
Jan Horbaly
Clerk

Dated: September 17, 2001

cc: Robert Schultz
Louis F. Bonacorsi, Mark B. Stern

CRATER CORP V LUCENT TECHNOLOGIES, 00-1125
(DCT – 98-CV-0913)

****

Note: Pursuant to Fed. Cir. R. 47.6, this order is not citable as precedent. It is a public record.

****

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF MISSOURI,
EASTERN DIVISION

CRATER CORPORATION, Plaintiff, vs. LUCENT TECHNOLOGIES, INC.; AMERICAN TELEPHONE & TELEGRAPH, INC., Defendants. UNITED STATES OF AMERICA, Intervenor.	)	Case No. 4:98CV913 ERW

IN CHAMBERS HEARING ON MOTIONS

BEFORE THE HONORABLE E. RICHARD WEBBER
UNITED STATES DISTRICT JUDGE

AUGUST 19, 1999, 9:00 A.M.

* * *

[2] THE COURT: Okay. Motion to compel – plaintiff's motion to compel motion for sanctions, and motion to allow supplemental brief opposing defendants' motion to dismiss. We'll consider that motion first.

MR. SCHULTZ: Yes, Your Honor. The motion to compel for sanctions and to file supplemental brief is very simple. Approximately a month and a half ago, the Court [3] ordered defendants to answer several I'll call them interrogatories. It was special discovery. Among the items they were to answer were questions 2-A, 2-B, 2-C, and 7-C. They were supposed to get those responses to me by July 16th. Their purported responses didn't get to me until July 28th. And with regard to questions 2-A, 2-B,

and 2-C, they really didn't answer them, and 7-C, they didn't answer that one either. We can go through them if you want to, Judge, but I suppose you've read them and it's pretty simple.

THE COURT: Let's go through them on the record.

MR. SCHULTZ: Sure. Question 2-A asked for each of the 53 Accused Devices, the date they were manufactured. And the response was, "Between May '95 and October '97." It doesn't give me the date any particular one was manufactured.

2-B asked the chain of custody for each of the 53 Accused Devices. The answer is, "From the defendants to the government," and then in parentheses it says "(including those acting as its agents, representatives or contractors)," and then there's a closed parentheses, and then it says, "the name of the prime contractor is classified."

Well, Judge, two things. That doesn't really give me the chain of custody. It doesn't signify anybody but the defendants. It doesn't tell me if it was AT&T or if it was [4] Lucent. It doesn't tell me where it went from their shop. And by the way, it turns out that AT&T and Lucent weren't the only ones to make these. A company called Unique Tool made them and that doesn't show up at all in this chain of custody.

With regard to question 2-C, the chain of ownership, they were referring back to the answer to 2-B, which isn't an answer at all.

With regard to question 7-C, that asks in general form, How many Crater couplers were sold or transferred to General Dynamics in the sale of Lucent's Advanced Technology Systems Division? They don't tell me how many. They give me a very interesting legal response. It wasn't asked for. I asked for how many and they don't tell me.

So, Your Honor, based on that, I ask this Court to make them answer the questions, which you've already told them to answer, and to sanction them first for being almost two weeks late in getting the answers to me; and, secondly, for giving an evasive answer to questions this Court told them to answer. Thank you.

Oh, and by the way, Your Honor, I'd just ask that when I finally do get their answers, that I be asked to file a supplemental brief. It shouldn't take them too long to get the answers to this. They've had a couple of months to cobble them together. It wouldn't take me too long to file [5] the supplemental brief either. Thank you.

* * *

[8] THE COURT: Okay, Mr. Schultz?

MR. SCHULTZ: Two things. One, Mr. Tyler's statement of facts is contradicted, so I don't even want to get into that. I just came here on a motion to compel, Your Honor. If the government is saying that 2-B and 2-C are objected to on the state secrets privilege, I think they have to do a bit more just blurt that out. They have to tell us why. They have to tell you why, Your Honor.

With regard to 7-C, that's the one that asks how many Crater couplers were sold or transferred to General

Dynamics. You ordered them to answer that. They still haven't answered it. Instead, they want to reargue relevancy. Judge, most federal judges I know, when they tell you to do something, they mean do it and they don't [9] want to hear excuses later on. With regard to 7-C, there's been no objection by the government on state secret. The question simply was, How many Crater couplers did you sell or transfer to General Dynamics? We've not gotten an answer to that.

* * *

[12] THE COURT: Rominski, yeah. All right. That will conclude the hearing, if there's nothing further at this time. Court is in recess. I'll be making an order.

(Proceedings concluded at 9:15 a.m.)

* * *

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

CRATER CORPORATION,

Plaintiff,

-against-

LUCENT TECHNOLOGIES, INC. and AMERICAN TELEPHONE AND TELEGRAPH COMPANY,

Defendants.

Case No. 4:98CV00913 (ERW)

DEPOSITION OF PAUL ROMINSKI
NEW YORK, NEW YORK
JULY 30, 1999

REPORTED BY:
JUDITHZAN PASCUAL

* * *

[19] Q. How many brassboard split ball valve couplers were made?

A. I personally was responsible for – I can't give you an exact number but I would say somewhere in the neighborhood of 10 to 15.

Q. Is it your understanding that other brassboard couplers were manufactured but it wasn't done under your supervision?

MR. TYLER: I have nothing. I was [20] going to object as leading but – no. He's putting words in your mouth but.

A. The exact answer is yes.

Q. Okay. Do you know how many other brassboard split ball valve couplers were made by Lucent?

A. No, I don't.

* * *

[21] Q. Did all of the split ball valve brassboards that you were directly responsible for, did they go to the government or to the prime contractor?

A. The ones that I was responsible for [22] went to our lab.

Q. And where did they go after they went to your lab?

MR. BONACORSI: If you know.

MR. TYLER: If you know.

A. I have no idea where they went after that.

Q. What about the brassboard split ball valve couplers you were not directly responsible for, do you have knowledge that they all went to your lab?

A. No, I can't.

Q. You don't know where they went?

A. No.

* * *

[30] Q. Mr. Rominski, let's look at Exhibit 10 again.

A. Okay.

Q. Would you look at paragraph 5 of Exhibit 10. If you want to read that through for a moment and I will ask you some questions about that.

* * *

[31] Q. If you look down below it looks like you signed this affidavit on August 14, 1998, do you see that?

A. Yes.

* * *

[32] Q. Okay. In paragraph 5 there's a reference to, you see the term classified development contract, you see that phrase used in your affidavit?

A. Okay.

Q. Now, did you ever see the entire classified development contract?

A. No.

Q. Was Lucent or AT&T a party to the classified development contract?

MR. TYLER: I'll object. Again, you are going right into the government program. I thought your case was on the proposition that these defendants allegedly used your client's device for private commercial gain outside of this government program and yet all of your questions are directed to the government program itself, and on the grounds of relevance I wonder why we are entering into this area.

[33] MR. SCHULTZ: With regard to this the relevance will be clear in three or four minutes. I don't plan to spend very much time here. I really don't plan on going much beyond the affidavit.

MR. TYLER: So the question is to his knowledge, if he has knowledge, was Lucent or AT&T a signature party to the government contract referred to in this declaration?

MR. SCHULTZ: The classified development contract.

Q. Let me ask the question so the record is clear.

In your affidavit you refer to a classified development contract, do you see that?

A. Yes.

Q. Is that the contract involving the prime contractor?

A. To the best of my knowledge.

Q. Were AT&T or Lucent a party to the classified development contract or is your answer you don't know?

MR. BONACORSI: If you don't know, you don't know.

[34] A. I don't know.

Q. Did you ever see the entire classified development contract?

MR. TYLER: Asked and answered.

A. No.

Q. In your work at AT&T or Lucent had you ever seen any portion of the classified development contract?

MR. BONACORSI: Can I have the question back again, please.

(Pending question was read.)

MR. BONACORSI: And you are referring to development contract as referred to or described in the first three lines of the witness's affidavit?

MR. SCHULTZ: I'm talking about paragraph 5.

MR. BONACORSI: Do you understand the question?

THE WITNESS: I think so.

MR. BONACORSI: Okay, you can answer.

A. Can I confer because I –

Q. Let me do this. Had you ever seen the classified development contract before in your [35] work at AT&T or Lucent?

A. No.

Q. Okay. In paragraph 5 you also say you were informed that the work on the government project was done pursuant to the classified development contract, you see that?

A. Yes.

Q. Who informed you of that?

A. I don't recall who at this point.

Q. Did you believe him?

A. Yes.

Q. Were you relying on what somebody told you when you swore to the truth of what's in paragraph 5?

A. Yes.

Q. If nobody had told you that would you have been able to swear to what you said in paragraph 5?

A. No.

Q. Let's talk about the subcontract that you refer to in paragraph 4.

MR. TYLER: Rob, you told me – I don't understand the relevance.

MR. SCHULTZ: I will tell you right [36] now. Come here.

MR. TYLER: Please.

(Brief recess taken.)

MR. SCHULTZ: Let me start the question anew.

Q. Mr. Rominski, I'm going to ask you some questions about your affidavit and the subcontract you refer to in paragraph 4 of your affidavit, okay?

A. Okay.

MR. BONACORSI: Paragraph 4?

MR. SCHULTZ: Yes.

A. Okay.

Q. In your work at AT&T or Lucent had you ever seen the subcontract you refer to in paragraph 4 of your affidavit?

A. No.

Q. Before you signed your affidavit, which is Exhibit 10, had you ever seen the complete subcontract you refer to in paragraph 4?

MR. BONACORSI: I think that's just been asked and answered.

Subject to that, you can answer.

A. No.

[37] Q. Before you signed your affidavit did someone show you some pages from a contract and tell you it was the subcontract?

MR. BONACORSI: Which contract we talking about, the contract or the subcontract?

MR. SCHULTZ: Subcontract now.

A. No.

Q. Did anyone ever show you any pages from the subcontract?

A. No.

Q. Was the subcontract that you refer to the contract that you believe Lucent was a party to?

A. Repeat that again.

Q. Sure. The subcontract you refer to in paragraph 4, is that a contract you believe Lucent was a party to?

A. Yes.

Q. Do you know what's in that subcontract?

A. No.

Q. In the last part of Exhibit 10 there is an indented block quote, do you see that? You [38] can say yes or – you need to say yes or no.

A. Yes.

Q. And it's one that purports to quote from a contract, you see that?

A. Yes.

Q. It's what's called an authorization and consent clause?

A. Yes.

Q. Do you know if that authorization and consent clause is in the subcontract?

A. No, I don't.

* * *

[39] A. The authorization and consent, you know, I saw this information when I signed the affidavit.

Q. You saw some pages from the classified development contract; is that right?

A. I can't recall whether I saw it. I saw this statement, I can't recall if it was exactly from the contract or if it was in this document.

Q. Did somebody tell you what it was before you –

A. What was –

Q. Did someone show you an authorization and consent clause and tell you that it applied to the contract with Lucent?

A. Yes.

Q. Who?

A. I don't remember at this time. I mean –

MR. BONACORSI: You just don't remember?

THE WITNESS: Right.

[40] Q. But you believed them when they told you that?

A. Of course.

Q. And that's the reason you swore to what's in paragraph 5?

A. Correct.

Q. Did you wonder why you were the one being asked to sign the affidavit?

A. Yes.

Q. Did you think maybe somebody else would have knowledge of what was in the contract?

A. Of course, yes.

Q. When you signed this were you just relying on what that person was telling you?

A. Yes.

Q. And you don't remember who that was?

A. When I signed this?

Q. Yes.

A. Oh, it was Joe.

* * *

[41] Q. Who is Joe?

A. Mr. Lazaroff.

Q. That's the lawyer sitting one lawyer away from you?

A. Correct.

* * *

[90] BY MR. SCHULTZ:

Q. Mr. Rominski, did you review this subcontract you just referred to in your testimony at one time or several times before you signed this affidavit?

A. There were two times.

Q. When were they?

A. First time was, I don't know the date but Kathy Olsen –

Q. Showed it to you?

A. – showed me the information.

Q. And did she tell you it was the subcontract?

A. Yes.

Q. Did you believe her?

A. Yes.

Q. Is that what you are relying on when you said it was the subcontract?

A. Yes.

[91] Q. Do you know what was left out, what you weren't shown in the subcontract?

MR. BONACORSI: Calls for speculation.

A. I don't know.

Q. Do you know what she, if what she showed you was actually the subcontract for your work?

A. Do I know?

Q. Yes.

A. Absolutely not.

MR. SCHULTZ: Thank you, no further questions.

* * *

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

CRATER CORPORATION,	)	
Plaintiff,	)	**Case No. 4:98CV00913 ERW**
v.	)	
LUCENT TECHNOLOGIES, INC. and AMERICAN TELEPHONE AND TELEGRAPH COMPANY,	)	
Defendants.	)	

FILING MEMORANDUM

In response to the District Court's request, Crater Corporation files the attached Affidavit of Steven Van Keuren.

DESCHER & SCHULTZ

By: /s/ Robert Schultz
Robert Schultz, E.D. Mo. 4310
Vicki L. Little, E.D. Mo. 3690
7700 Bonhomme Avenue,
Suite 325
St. Louis, Missouri 63105-1924
(314) 862-4777
(314) 862-2880 FAX

Attorneys for Plaintiff

CERTIFICATE OF SERVICE

A copy of the foregoing was served upon counsel for Defendants, via first class mail, postage prepaid this 7th day of May, 1999 to the following:

Mr. Louis F. Bonacorsi
Bryan Cave
One Metropolitan Square
211 N. Broadway,
Suite 3600
St. Louis, Missouri 63102

Mr. Edwin B. Brzezinski
Assistant United States
Attorney
1114 Market Street,
Room 401
St. Louis, MO 63101

Mr. John R. Tyler
Department of Justice
Civil Division, Room 1052
901 E. Street, NW
Washington, D.C. 20530

/s/ Robert Schultz

AFFIDAVIT OF STEVEN P. VAN KEUREN

Steven P. Van Keuren, being of lawful age and duly sworn, does hereby state and depose as follows:

1. My name is Steven P. Van Keuren and I live at 9900 Copper Hill Road, St. Louis, Missouri 63124.

2. I am the President of Crater Corporation ("Crater") and have personal knowledge of the facts stated in this affidavit.

3. I am one of the co-inventors of the Coupling Device which received United States Patent #5,286,129. I frequently refer to the "Coupling Device" as the "Crater

Coupler" since the inventors assigned their patent to Crater.

4. United States Patent #5,286,129 was issued in February, 1994.

5. Before engaging Crater's legal counsel in this case against Lucent and AT&T, I investigated the activities of AT&T and Lucent and infringements upon Crater's patent by contacting and speaking with former employees of Lucent and AT&T, and others.

6. On July 8 and July 10, 1997, I spoke to Mr. Andy Kowalik on the telephone. What follows is my recollection of these telephone calls. I have not quoted Mr. Kowalik unless the remarks are within quotation marks. Kowalik was an engineer for Tyco Submarine Systems, Inc. Kowalik was formerly an engineer for AT&T and Lucent. Kowalik told me, that while he was at AT&T and Lucent, he worked on the fiber optic device of which, from his description I recognized, the Crater Coupler was a part. Kowalik said that AT&T and Lucent made and modified Crater Couplers without a government contract and used internal AT&T and Lucent funds. Kowalik said that later AT&T or Lucent did receive a government contract and did do some work on the Crater Coupler pursuant to a government contract. Kowalik said that the Crater Coupler employed a Mac II fiber optic connector chip to make the internal fiber optic connection. Kowalik also said that AT&T and Lucent had manufactured approximately 50 wetmates containing Crater Couplers and that production was ongoing at the rate of 3 per week.

7. On December 11, 1997, I had a conference call with Mr. John Kipp and Mr. Mark Mentzer both of Berg Electronics. What follows is my recollection of this telephone call. Mentzer told me that Berg had delivered to Lucent, during December 1996, Four Thousand Two Hundred (4,200), Mac II optical connector field installation kits for use in a device which from their description I recognized as the Crater Coupler.

8. During December 1997, I spoke on the telephone with Wilson Jamison, at the Engineering Research Center in Princeton, New Jersey. Jamison described for me the use of the Mac II optical connector chip in a device, which from his description, I recognized to be the Crater Coupler. Jamison said Lucent was making 300 devices, which I recognized from his description to be the Crater Coupler, a month.

9. On April 24, 1998, I had a telephone conversation with Mark Burgett a former Lucent and AT&T engineer. Burgett said that Lucent had made 16 titanium production devices, which from his description I recognized to be Crater Coupler, and delivered to the Government. Burgett also said that Lucent built 10 aluminum devices (which from his description I recognized to be Crater Couplers). Burgett also said that Lucent built 2 field test devices (which from his description I recognized to be Crater Couplers). Burgett also said that he had five devices (which from his description I recognized to be Crater Couplers) in his office and that Tyco Submarine Systems was searching for a commercial coupler to be used in the undersea oil industry and that John Mariano of Tyco had several working devices (which from his

description I recognized to be Crater Couplers) in his office which he received from Lucent.

10. On April 27th telephone conversation with Burgett, Burgett told me that a fancy Lucite working model of the device (which from his description I recognized to be Crater Coupler) was made for two internal Lucent presentations to high Lucent officers. The presentations were both videotaped by Lucent.

11. Burgett, on several occasions, told me that Lucent or AT&T received a government development contract for a project which (which from his description) involved a Crater Coupler around the Fall of 1995 but the development contract ended March of 1996. Lucent received a subsequent government contract for the project involving the Crater Coupler but this contract was canceled in the Fall of 1997.

12. I had a series of telephone calls and exchanges of letters with counsel for the United States Department of the Navy. I doggedly continued asking the Navy how many Crater Couplers they were using, and, in response, in a letter, the Navy told me that the Crater Coupler was not being used in any current government project and that the Navy only received 36 Crater Couplers, and that the Navy was not going to make further use of these 36 Crater Couplers.

Further affiant sayeth not.

/s/ Steven Van Keuren
Steven Van Keuren

STATE OF MISSOURI)
) SS
COUNTY OF ST. LOUIS)

Subscribed and sworn to before me this 7th day of May 1999.

/s/ Kendra Hennessey
Notary Public

My Commission expires:

KENDRA HENNESSEY
Notary Public –
Notary Seal
STATE OF MISSOURI
St. Charles County
My Commission Expires:
Aug. 26, 2001

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF MISSOURI,
EASTERN DIVISION

CRATER CORPORATION, ----------Plaintiff, vs. LUCENT TECHNOLOGIES, INC.; AMERICAN TELEPHONE & TELEGRAPH, INC., ----------Defendants.	))))))))	Case No. 4:98CV913 ERW

IN CHAMBERS STATUS CONFERENCE

BEFORE THE HONORABLE E. RICHARD WEBBER
UNITED STATES DISTRICT JUDGE

MARCH 16, 1999, 2:00 P.M.

* * *

[6] THE COURT: Therefore, the motion to intervene is sustained. Now, the next matter will be a motion to quash and for protective order. Mr. Tyler.

* * *

[13] THE COURT: One of the concerns I always have in any kind of an in camera proceeding is that the Court – the [14] Court quite honestly is not the best – in the best position to determine some of these issues without the benefit of adversarial input, and – but I realize that that isn't possible in this kind of proceeding. When there is an in camera inspection arranged, how do you propose that that in camera presentation be made to enlighten the Court as to the nature of the secrecy and the extent to which it must be protected?

MS. OLSON: Your Honor – this is Lisa Olson – we're prepared to provide you with that declaration on 24 hours notice. And this is related to the last point I made, I think that once you've read that declaration, once the Court has read it, it will be satisfied that indeed great harm would result to national security from the disclosure of this information. So we acknowledge that the parties and indeed the Court may be somewhat in the dark here, but I believe that your reading of that declaration will alleviate any remaining concern.

THE COURT: I think you touched upon it, but I'm not entirely satisfied with the response, how can a determination be made as to which material, records and so forth, plaintiff is entitled to receive as opposed to which ones they are not entitled to receive? There – how can that be resolved?

MR. TYLER: Your Honor, this is John Tyler. As [15] Ms. Olson explained to you, what we are concerned with is the government – the protection of a government program, and that program is set forth in some detail in the declaration that we are prepared to deliver to your Honor's chambers for your inspection. I think your reading of that declaration will in fact clear up a lot of the problems we are all wrestling with at this time, or Your Honor is wrestling with at this time, and it will explain to you what that program is, the dimensions of that program, how it relates to this lawsuit.

Now, we, the government, do not know what documents the defendants necessarily have in their possession or what information or the breadth of the information the plaintiffs want from these defendants. What we do know

is what this program is. And we do know that certainly some of the information that comes within the scope of plaintiff's interrogatories and document requests touches upon this program. So what we've attempted to do by a proposed protective order is mark out where that program begins and ends pursuant to that proposed public document; that is, any and all information that goes to the use or the manufacture of plaintiff's coupling device by or on behalf of the government, and we think that that substantially limits the information that we want protected. And I think that will become clear to Your Honor upon reading that [16] declaration that we intend to submit to you.

* * *

[21] MR. TYLER: We can get these in camera declarations to Your Honor on Tuesday the 23rd. They're not voluminous, so in that respect it will not take Your Honor very long to review what we have to say in those [22] declarations.

THE COURT: Within an hour?

MR. TYLER: An hour I think would be satisfactory, Your Honor. I do want to explain to Your Honor, your suggestion that we at the Department of Justice sit down or communicate with defendants' lawyers about what information is sensitive and what information is not, I'm not sure that that is possible. The counsel on behalf of the defendants are not cleared. They do not have security clearance. We cannot – I cannot tell defense counsel what is classified information.

* * *

[23] THE COURT: All right. I am setting the in camera review for 8 o'clock on Tuesday, March 23rd. The address is 1114 Market Street, St. Louis, Missouri. It will be conducted in my chambers at that time and place.

MR. TYLER: Your Honor, do you want me present?

THE COURT: Yes, I want someone present.

MR. TYLER: I will be there.

[24] THE COURT: All right. Probably what we will do is once you arrive, we'll probably go to some other location here in the courthouse.

* * *

MR. SCHULTZ: I think my time to respond to the motion to dismiss and to file some briefs in support of my other pending, I'll call them subsequent motions, runs out tomorrow. I would just like the Court to extend that some reasonable period so that we can see how the discovery goes before I run out of time.

THE COURT: All right. I'll extend that until the 25th.

MR. SCHULTZ: Thank you, Your Honor. 25th of March?

THE COURT: Correct.

* * *

IN THE UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

CRATER CORPORATION,	)	
Plaintiff,	)	Case No.-
vs.	)	4:98CV00913 ERW
LUCENT TECHNOLOGIES, INC. and AMERICAN TELEPHONE AND TELEGRAPH COMPANY,	)	
Defendants.	)	

DECLARATION AND ASSERTION OF MILITARY AND STATE SECRETS PRIVILEGE OF RICHARD J. DANZIG, SECRETARY OF THE NAVY

I, RICHARD J. DANZIG, HEREBY DECLARE:

1. I am currently the Secretary of the Navy of the United States of America and the chief executive officer of the Department of the Navy.

2. My statements in this Declaration are based on my personal knowledge, on information provided to me in my official capacity, and on my evaluation of that information. The purpose of this Declaration, along with my classified declaration in this case, is to assert a formal claim of the military and state secrets privilege in response to discovery directed by plaintiff against defendants and various third-parties.

3. As Secretary of the Navy, I am authorized to determine the proper classification of information through the

level of TOP SECRET on behalf of the United States. My *in camera* declaration submitted in this case is properly classified as TOP SECRET, because its public disclosure could reasonably be expected to cause extremely grave damage to national security. This is the most serious degree of damage that existing security criteria recognize.

4. I have been informed of plaintiff's discovery requests in this case served upon defendants and of plaintiff's subpoenas issued to third-parties. I have also been informed of the nature of the claims in the case and the contention to which plaintiff's discovery pertains, i.e., that defendants have infringed plaintiff's patent for a coupling device and have breached the terms of a purported arrangement with plaintiff. I have been advised that defendants and, possibly third parties, possess information responsive to plaintiff's discovery requests. I have also been advised of plaintiff's motion to compel the production of documents and information and the Court's order regarding participation by the United States to assert its interest in this matter.

5. The official activities of the Department of the Navy are many and diverse, but all have a single objective – the preservation of national security. In order to achieve that objective, the Navy employs various methods, and conducts various programs and operations.

6. As explained herein and in my classified declaration, plaintiff's discovery in this case could be expected to cause extremely grave damage to national security. Requiring defendants and the private subpoena recipients to respond to plaintiff's discovery would, directly or

indirectly, provide adversaries of the United States Government with information concerning the operations and programs described in my classified declaration. Those operations and programs are currently ongoing. It is therefore my opinion that disclosure of information concerning them would permit potential adversaries to adopt specific measures to defeat or otherwise impair the effectiveness of those operations and programs.

7. Any further elaboration of this matter on the public record would harm national security interests by revealing the information the military and state secrets privilege is designed to protect. My classified declaration explains in greater detail why the discovery of any information relating to the operations and programs described in my classified declaration would pose a threat to national security.

8. Based on my personal consideration of the matter, requiring responses to plaintiff's discovery, including that directed to private companies, reasonably could be expected to cause extremely grave damage to the vital national security interests of the United States. Accordingly, I formally invoke the military and state secrets privilege in order to foreclose any discovery relating to the manufacture or use of plaintiff's coupling device or any coupling device by or on behalf of the Government. I also invoke this privilege over the *in camera* declarations describing the operations and programs involved.

I declare under penalty of perjury that the foregoing is true and correct.

/s/ Richard J. Danzig
Richard J. Danzig
Secretary of the Navy

Date:

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

CRATER CORPORATION,	)	
	)	
Plaintiff,	)	Case No.
v.	)	4:98CV00913 ERW
	)	
LUCENT TECHNOLOGIES, INC. and AMERICAN TELEPHONE AND TELEGRAPH COMPANY,	)	
	)	
Defendants.	)	

AFFIDAVIT OF PAUL M. ROMINSKI

State of New Jersey	)	
	)	ss: Whippany
County of Morris	)	

Paul M. Rominski, being duly sworn, deposes and says:

1. I have been employed since June, 1978, by the Bell Laboratories Division of Lucent Technologies Inc. and, before the formation of Lucent, by its predecessor AT&T Corp. (previously named American Telephone and Telegraph Company) and its subsidiary Bell Telephone Laboratories Incorporated (collectively referred to herein as "Lucent"). During the period from about October, 1994, to October 1, 1997, I worked as a Bell Laboratories employee on loan to the Advanced Technology Systems ("ATS") Division of Lucent in Whippany, New Jersey. On

October 1, 1997, Lucent sold the ATS Division to General Dynamics Corporation.

2. The ATS Division of Lucent, among other things, performed work for the United States Government. One of the projects in ATS that I worked on was a classified Government project (the "project") which Lucent performed as a subcontractor under a development contract classified by the Government under its security regulations to require various clearances for work on the project. I hold the appropriate security clearances for the project. Because the project and contract are classified, I cannot state the name of the primary Contractor, the Government agency for whom the work was done or the details of the work, but I am able to state that the project involved the development of certain prototype equipment, one element of which was a coupler device of a kind known as a quick disconnect coupler. I was responsible for the development of this coupler for the project.

3. In or about 1995, representatives of Crater Corporation, the plaintiff in this action, submitted to me, as a Lucent employee, prototype designs for their version of a quick disconnect coupler (the "Crater Coupler") which they informed me had been patented by Crater Corporation. I understand that Lucent's subsequent activities with respect to this coupler are what is accused of infringement in this action.

4. Because I was responsible for coupler development in the project, I was and am familiar with what Crater submitted to Lucent and the subsequent activities of Lucent with respect to the Crater coupler. Again, because the project and the contract and subcontract

under which it was performed are classified, I am not at liberty to set forth in a public document the details of Lucent's accused activities; however, from my personal knowledge, I can and do state that any and all accused activities of Lucent or of others associated with Lucent with respect to the Crater coupler, if and to the extent they involved the use or manufacture or any other making, using, offering for sale or selling of the Crater coupler or any modified version of the Crater coupler, were solely for the Government in connection with the development project I was working on under the classified development contract. Except in connection with Lucent's activities for the Government pursuant to that project and classified development contract and subcontract, Lucent did not use or manufacture, or otherwise make, use, offer to sell or sell any version of the Crater coupler, nor did it induce anyone else to perform such activities or contribute any component of the coupler to anyone else to enable them to do so.

5. I have inspected certain pages of the classified development contract under which I have been informed and believe work on the project, and work in connection with the Crater coupler, were performed by Lucent as a subcontractor. The contract between Lucent as Subcontractor and the primary Contractor (alternately referred to in the subcontract as "Buyer") contains the following authorization and consent provision which is in itself unclassified:

> "30. AUTHORIZATION AND CONSENT
>
> The Government has given Buyer its authorization and consent for all use and manufacture of any invention described in and covered by a

patent of the United States in the performance of this subcontract or any part hereof or any amendment hereto or any subcontract hereunder (including any lower-tier subcontract)."

/s/ Paul M. Rominski
Paul M. Rominski

Subscribed to and sworn before me this 14th day of August, 1998.

/s/ Barbara Armstrong
Notary Public
BARBARA ARMSTRONG
NOTARY PUBLIC OF
NEW JERSEY
My Commission Expires
July 14, 1999

No. 01-932

IN THE

Supreme Court of the United States

CRATER CORPORATION,

Petitioner,

v.

LUCENT TECHNOLOGIES INC., AMERICAN TELEPHONE AND TELEGRAPH COMPANY, AND UNITED STATES,

Respondents.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF RESPONDENTS LUCENT TECHNOLOGIES INC. AND AMERICAN TELEPHONE AND TELEGRAPH COMPANY IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

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CORPORATE DISCLOSURE STATEMENT

Respondents Lucent Technologies Inc., and American Telephone and Telegraph Co. are publicly traded companies on the New York Stock Exchange.

REASONS FOR DENYING THE PETITION

I.

The first three Questions Presented by the Petition relate to the "state secrets privilege" — an issue that was not decided by the Court of Appeals. That court's opinion said:

> "We conclude, however, that it is not necessary for us to address Crater's arguments concerning the state secrets privilege. The reason is that we believe that the issue of the privilege is irrelevant to the question that is before us on appeal . . . " (Pet. Apdx 18a).

This Court does not ordinarily grant review to consider issues not discussed by the court below. *Perry v. Thomas*, 482 U.S. 483, 492 (1987); *Street v. New York*, 394 U.S. 576, 582 (1969); *Bailey v. Anderson*, 326 U.S. 203, 206-07 (1945). The opinion of the Court of Appeals creates no precedent concerning the state secrets privilege, and accordingly there is nothing for this Court to review relating to that issue.

In addition, Questions 1-3 are premised on a misdescription of the record in this case. The Secretary of the Navy filed a Declaration stating that the information sought by petitioner was classified as "Top Secret," and that petitioner's requested discovery "could be expected to cause extremely grave damages to national security" because requiring responses to petitioner's discovery "would, directly or indirectly, provide adversaries of the United States Government with information concerning . . . operations and programs . . . [that] are currently ongoing," and would "permit potential adversaries to adopt specific measures to defeat or otherwise impair

the effectiveness of those operations and programs" (Pet. Apdx 118a-119a).

The Secretary's Declaration also recited that it was "based on my personal consideration of the matter" and "on information provided to me in my official capacity, and on my evaluation of that information" (Pet. Apdx 119a, 117a). So petitioner's contention that the Secretary had insufficient information or provided inadequate detail when invoking the privilege is belied by the Declaration itself, as well as by the case law. *See Kasza v. Browner*, 133 F.3d 1159, 1169 (9th Cir.) (Secretary of Air Force need not explain why each requested item of information affected the national interest), *cert. denied*, 525 U.S. 967 (1998); *Bareford v. General Dynamics Corp.*, 973 F.2d 1138, 1142 (5th Cir. 1992) (Secretary of Navy could invoke privilege based on understanding of type of information plaintiffs would need to establish their claim), *cert. denied*, 507 U.S. 1029 (1993); *Ellsberg v. Mitchell*, 709 F.2d 51, 59 (D. C. Cir. 1983) (declaration asserting prejudice to national interest need not explain what interest consists of or how it might be damaged), *cert. denied*, 465 U.S. 1038 (1984).

Nor is there any basis for petitioner's assertion that the privilege was applied here to "bar discovery of relevant materials that do not constitute state or military secrets" (Pet. i). The district court's order specifically authorized the parties to "proceed with discovery on the issues of (1) whether [respondents] made, used, or sold the Accused Device . . . to or for anyone other than the United States of America, and (2) whether the United States Government gave its authorization or consent to [respondents] for their manufacture or use of the Accused Device" (Pet. Apdx 88a).

The Court of Appeals likewise rejected petitioner's characterization of the scope of the privilege applied by the district court:

> "The only information relevant to Crater's opposition to Lucent's motion was information of commercial use of the coupler by Lucent. The privilege, by definition, only barred discovery of evidence of *non-commercial* use of the coupler by Lucent. The fact the district court allowed the government to assert the privilege had no bearing on Crater's ability to discover evidence that would have created a genuine issue of material fact as to whether Lucent engaged in commercial activity regarding the coupler" (Pet. Apdx 19a).

Hence, questions 1-3 are simply not presented by this case.

II.

Questions 4 and 5 posit inappropriate conduct on the part of the district judge by reason of his entertaining *ex parte* explanations by a government lawyer concerning the sensitivity of the information being sought through petitioner's discovery requests. On the contrary, it is well accepted that the government can — and must — make its case for confidentiality outside of counsel's presence in order to avoid disclosing the very information it seeks to protect. *See United States v. Reynolds*, 345 U.S. 1, 8 (1953) (a court must "determine whether the circumstances are appropriate for the claim of privilege . . . without forcing a disclosure of the very thing the privilege is designed to protect").

Accordingly, courts have consistently recognized the propriety of *ex parte*, *in camera* proceedings for the

examination of the state secrets issue. *See, e.g., United States v. Klimavicius-Viloria*, 144 F.3d 1249, 1260 (9th Cir. 1998), *cert. denied*, 120 S.Ct. 110 (1999); *Kasza*, 133 F.3d at 1169; *Bareford*, 973 F.2d at 1144-45; *United States v. Yunis*, 867 F.2d 617, 620 (D.C. Cir. 1989). Indeed, it has specifically been observed that participation by private counsel "carries with it serious risk that highly sensitive information may be compromised." *Halkin v. Helms*, 598 F.2d 1, 7 (D.C. Cir. 1978), quoting *Alfred A. Knopf, Inc. v. Colby*, 509 F.2d 1362, 1369 (4th Cir. 1975).

Petitioner's attempt to impute misconduct to the trial judge is therefore misguided, as is the suggestion that Judge Webber's impartiality might reasonably be questioned by reason of actions that were perfectly proper.

III.

Petitioner's Sixth Question Presented deals with the application of rules relating to summary judgment in this fact-specific context. It does not warrant this Court's attention.

Subpart (1) of the issue — relating to the affidavit of Paul Rominski that supposedly was "not based on the affiant's personal knowledge" — was not addressed by either lower court. The Court of Appeals' opinion summarized the status of this issue:

> ". . . [I]n ruling in favor of Lucent, the district court did not rule on the motion to strike the Rominski affidavit, stating that, in view of the discovery that had taken place, the issue was moot . . . . Under these circumstances, we have not considered the Rominski affidavit" (Pet. Apdx 12a).

Subpart (2) of Question 6 deals with evidence submitted with respondents' reply brief in the district court. The Court of Appeals found nothing irregular in the procedure used under the unique circumstances presented because (a) discovery was not authorized until after the motion and initial memorandum were filed, and (b) petitioner's response to the motion was filed after the discovery in question, so petitioner "was able to adequately address the evidence in its opposition brief" (Pet. Apdx 14a-15a).

To the limited extent that Question 6 is actually presented in this record, it arises in an esoteric factual context and, in any event, is insubstantial.

CONCLUSION

For the reasons stated, the Petition for Writ of Certiorari should be denied.

Respectfully submitted,

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No. 01-932

In the Supreme Court of the United States

CRATER CORPORATION, PETITIONER

v.

LUCENT TECHNOLOGIES, INC., ET AL.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF FOR THE UNITED STATES IN OPPOSITION

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QUESTION PRESENTED

Whether the court of appeals correctly declined to rule on the applicability of the state secrets privilege, where the privileged information did not pertain to the ground on which summary judgment was entered.

TABLE OF CONTENTS

	Page
Opinions below	1
Jurisdiction	1
Statement	2
Argument	6
Conclusion	9

TABLE OF AUTHORITIES

Cases:

CIA v. *Sims*, 471 U.S. 159 (1985)	7
Halkin v. *Helms*, 598 F.2d 1 (D.C. Cir. 1978)	8
Kerr v. *United States Dist. Court*, 426 U.S. 394 (1976)	7
Sperry Gyroscope Co. v. *Arma Eng'g Co.*, 271 U.S. 232 (1926)	5
United States v. *Klimavicius-Viloria*, 144 F.3d 1249 (9th Cir. 1998), cert. denied, 528 U.S. 842 (1999)	7-8
United States v. *Nixon*, 418 U.S. 683 (1974)	7
United States v. *Reynolds*, 345 U.S. 1 (1953)	7
United States v. *Yunis*, 867 F.2d 617 (D.C. Cir. 1989)	8

Constitution and statutes:

U.S. Const. Amend. V (Due Process Clause)	7
28 U.S.C. 1498 (1994 & Supp. V 1999)	4
28 U.S.C. 1498(a) (1994 & Supp. V 1999)	2, 8

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OPINIONS BELOW

The opinion of the court of appeals (Pet. App. 1a-20a) is reported at 255 F.3d 1361. The opinion of the district court (Pet. App. 22a-29a) is unreported.

JURISDICTION

The court of appeals entered its judgment on June 6, 2001. A petition for rehearing was denied on September 17, 2001 (Pet. App. 90a-91a). The petition for a writ of certiorari was filed on December 14, 2001. This Court's jurisdiction is invoked under 28 U.S.C. 1254(1).

STATEMENT

1. Section 1498(a), 28 U.S.C., provides in relevant part:

> Whenever an invention described in and covered by a patent of the United States is used or manufactured by or for the United States without license of the owner thereof or lawful right to use or manufacture the same, the owner's remedy shall be by action against the United States in the United States Court of Federal Claims for the recovery of his reasonable and entire compensation for such use and manufacture.
>
> * * * * *
>
> For the purposes of this section, the use or manufacture of an invention described in and covered by a patent of the United States by a contractor, a subcontractor, or any person, firm, or corporation for the Government and with the authorization or consent of the Government, shall be construed as use or manufacture for the United States.

28 U.S.C. 1498(a) (1994 & Supp. V 1999).

2. Petitioner filed suit in federal district court against respondents Lucent Technologies and American Telephone and Telegraph Company (the corporate respondents). Petitioner alleged that the corporate respondents had infringed petitioner's patent for a split-valve, underwater coupling device. Pet. App. 2a. The corporate respondents moved to dismiss on the ground that the coupling device was exclusively "used * * * by or for the United States," 28 U.S.C. 1498(a) (1994 & Supp. V 1999), and thus that they were not

liable for any patent infringement as a matter of law. Pet. App. 3a.

The United States intervened to assert the military and state secrets privilege with respect to discovery into any use of the coupling device by or for the United States. Pet. App. 6a. In support of the government's invocation of the privilege, then-Secretary of the Navy, Richard J. Danzig, submitted a declaration in which he explained that discovery into the corporate respondents' alleged use of the coupling device for or on behalf of the United States government could be expected to cause "extremely grave damage to national security" by providing adversaries of the United States government with information concerning ongoing programs and operations. *Id.* at 118a-119a. In further support of the privilege, the government submitted for the court's *in camera* review TOP SECRET materials and a TOP SECRET declaration from Secretary Danzig describing those programs and operations. *Id.* at 18a, 119a.[1]

After reviewing Secretary Danzig's classified declaration *in camera*, the district court immediately granted the United States' motion for a protective order against discovery of matters covered by the state secrets privilege. See Pet. App. 18a. Specifically, the district court prohibited petitioner from conducting any discovery into information related to the manufacture or use of petitioner's coupling device, or any other coupling device, by or on behalf of the United States. *Ibid.* At the same time, the district court authorized discovery into whether the corporate respondents had used petitioner's coupling device for any non-

[1] As Secretary Danzig explained, the TOP SECRET designation reflects "the most serious degree of damage [to national security] that existing security criteria recognize." Pet. App. 118a.

governmental commercial purposes. *Id.* at 24a. The district court afforded petitioner nearly a year in which to conduct discovery into non-privileged matters and further allowed petitioner to postpone filing a response to the corporate respondents' motion to dismiss until the conclusion of that discovery. *Id.* at 7a.

3. Petitioner filed a motion seeking recusal of the district court judge on the ground that, in the course of ruling on the applicability of the state secrets privilege, the judge had engaged in *ex parte* communications with government counsel. Petitioner also sought discovery of the content of communications between the court and government counsel. See Pet. App. 60a. The court denied the motion, *id.* at 61a-63a, explaining that the *in camera* review and attendant communications with government counsel "were necessitated by the Court's desire to ensure that the state secrets privilege should apply to the Government's information so that [petitioner] would not be deprived of its rights to proceed with this lawsuit," *id.* at 61a. The court further explained that "the presence of the Government's attorney [during the *in camera* review] was necessary to ensure the safety of the information in question and to communicate with the Court regarding the information." *Id.* at 62a.

At the conclusion of discovery, the district court granted the corporate respondents' motion to dismiss for lack of subject matter jurisdiction. Pet. App. 22a-28a. The court found that petitioner had failed to present evidence that the corporate respondents had used the coupling device either for any individual or entity other than the United States government or without the authorization or consent of the government. *Id.* at 26a. The court accordingly ruled that, under 28 U.S.C. 1498 (1994 & Supp. V 1999), the Court of

Federal Claims had exclusive jurisdiction over petitioner's patent action.

4. The court of appeals affirmed. Pet. App. 2a-20a. As an initial matter, the court of appeals disagreed with the district court's jurisdictional ruling. *Id.* at 4a-5a. The court ruled that, in cases where the United States is not a party, Section 1498(a) creates an affirmative defense for the alleged infringer; it does not restrict the district court's jurisdiction over the patent claim. *Id.* at 5a (citing *Sperry Gyroscope Co.* v. *Arma Eng'g Co.*, 271 U.S. 232 (1926)).

The court of appeals affirmed on the alternative ground that petitioner had failed to identify a genuine issue of material fact with respect to the corporate respondents' affirmative defense that they used the coupling device exclusively for the United States and with the government's authorization and consent. Pet. App. 12a. The court explained that, after a year of discovery, approximately 25 requests for production and interrogatories, and numerous depositions, *id.* at 11a, "[a]ll of the evidence that was produced during discovery indicated that [the corporate respondents'] work on the allegedly infringing coupler was done for the government," *id.* at 12a. The court further noted that the United States had corroborated the corporate respondents' affirmative defense and, in particular, had confirmed "the existence of a classified development contract covering work on the coupler for the government," had identified "the specific dates the contract covered," and had provided redacted copies of the classified contract, which showed that the government authorized work under the contract. *Id.* at 13a.

In light of its summary judgment ruling, the court of appeals expressly found that "the issue of the [state secrets] privilege is irrelevant to the question that is

before us on appeal." Pet App. 18a. In particular, the court explained that the assertion of the privilege "had no bearing on [petitioner's] ability to discover evidence that would have created a genuine issue of material fact as to whether [the corporate respondents] engaged in commercial activity regarding the coupler." *Id.* at 19a. Accordingly, "any evidence that was protected by the privilege was not relevant to [petitioner's] opposition to [the corporate respondents'] motion." *Ibid.*

Finally, the court of appeals "carefully considered" petitioner's claim that the district court engaged in improper *ex parte* communications with government counsel, and found "no impropriety in the court's communications with government counsel." Pet. App. 19a n.4.[2]

ARGUMENT

1. Petitioner seeks review (Pet. 13-21) of the lower courts' application of the state secrets privilege. The state secrets privilege, however, was entirely irrelevant to the court of appeals' disposition of this case. The court of appeals ruled that summary judgment was warranted because, after a year of discovery, petitioner had produced no evidence creating a genuine issue of material fact concerning the corporate respondents' alleged non-governmental, *commercial* use of the coupling device. The state secrets privilege, by contrast, pertained exclusively to the corporate respondents' use of the coupling device for and on behalf of the United States government. See Pet. App. 18a-19a. The state secrets privilege accordingly was "irrelevant" to the

[2] The court of appeals also ruled that the district court could retain jurisdiction over petitioner's state law claims for breach of contract and misappropriation of trade secrets, and therefore remanded the case. Pet. App. 16a-17a.

court of appeals' disposition of the case (*id.* at 18a), and the court of appeals pointedly did not address the matter (*ibid.*), as petitioner acknowledges (Pet. 13). Further review by this Court of an issue that neither was addressed by the court of appeals nor bears any relevance to the court's disposition of the case—especially an issue as sensitive as application of the state secrets privilege—is not warranted.

2. Petitioner also contends (Pet. 21-25) that this Court should review whether the district court's *in camera* review of extremely sensitive, TOP SECRET materials, and attendant discussions with government counsel in facilitating that review, violated the Due Process Clause of the Fifth Amendment or otherwise obliged the court to recuse itself from further proceedings. Those arguments are without merit. This Court "has long held the view that *in camera* review is a highly appropriate and useful means of dealing with claims of governmental privilege." *Kerr* v. *United States Dist. Court*, 426 U.S. 394, 405-406 (1976); see *United States* v. *Nixon*, 418 U.S. 683, 706 (1974); *United States* v. *Reynolds*, 345 U.S. 1, 10 (1953); see also *CIA* v. *Sims*, 471 U.S. 159, 189 n.5 (1985) (Marshall, J., concurring).

In addition, the presence of government counsel at such an *in camera* review is necessary both to protect the security of the information—the information involved in this case is too sensitive to release from firm Executive Branch control (see Pet. App. 79a)—and to provide any classified clarifications or explanations needed by the court. See *id.* at 62a ("[T]he presence of the Government's attorney was necessary to ensure the safety of the information in question and to communicate with the Court regarding the information."); see also *United States* v. *Klimavicius-Viloria*, 144 F.3d

1249, 1261 (9th Cir. 1998) ("In a case involving classified documents * * *, *ex parte, in camera* hearings in which government counsel participates to the exclusion of [counsel for private parties] are part of the process that the district court may use."), cert. denied, 528 U.S. 842 (1999); *United States* v. *Yunis*, 867 F.2d 617, 620 (D.C. Cir. 1989) (holding *ex parte, in camera* proceedings, in which the government explained what specific damage to national defense would result if information were disclosed); *Halkin* v. *Helms*, 598 F.2d 1, 6-7 (D.C. Cir. 1978) (court entertains *ex parte, in camera* testimony from national security official).

In any event, the entirely unexceptional manner in which the district court conducted its *in camera* proceedings in this particular case presents the type of narrow, fact-bound, and highly discretionary matter that is ill-suited for this Court's certiorari review. Moreover, such review would be particularly unwarranted here because the subject of the *in camera* proceedings—the district court's application of the state secrets privilege—ultimately became entirely irrelevant to the court of appeals' disposition of the case.

3. Finally, petitioner argues (Pet. 25-29) that the court of appeals erred in granting summary judgment on defendants' affirmative defense under 28 U.S.C. 1498(a) (1994 & Supp. V 1999). Because the United States intervened in this action solely for the purpose of invoking the state secrets privilege, we take no position on that question and, instead, refer the Court to pages 4-5 of the corporate respondents' brief in opposition.

CONCLUSION

The petition for a writ of certiorari should be denied.

Respectfully submitted.

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On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

REPLY TO BRIEFS IN OPPOSITION

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CORPORATE DISCLOSURE STATEMENT

Petitioner is not publicly traded and has no parent or subsidiary or affiliated corporations. There is no publicly traded company that owns 10% or more of Petitioner's stock.

REPLY TO BRIEFS IN OPPOSITION

In Respondents' briefs in opposition to Crater's petition for a writ of certiorari, they argue, principally, that: (1) Crater's questions relating to the state secrets privilege, and the district court's improper application of that privilege to bar relevant discovery, were not addressed by the Federal Circuit, and, for that reason, are not properly before this Court; (2) the government attorney's *ex parte* communications with the district court were justified by the government's invocation of the state secrets privilege; and (3) the question of whether Respondents' evidence was sufficient to support their motion to dismiss is not properly before this Court.

Each of these arguments is without merit.

I. THE QUESTION OF WHETHER THE DISTRICT COURT INCORRECTLY AND OVERBROADLY APPLIED THE STATE SECRETS PRIVILEGE TO BAR RELEVANT DISCOVERY IN THIS CASE IS PROPERLY BEFORE THIS COURT.

Despite its disavowals, the Federal Circuit did, in fact, reach Crater's questions regarding the state secrets privilege. The court expressly found that the district court's orders relating to the privilege did not prevent Crater from discovering relevant evidence. App. 15a, 19a. This finding goes to the very heart of the questions presented by Crater for appeal.

Crater argues that, despite the wording of the district court's initial order as to the privilege – limiting discovery only as to Lucent's and AT&T's *governmental* use of the coupler – the district court did not so limit its subsequent rulings, but instead applied the privilege to prevent Crater from discovering relevant evidence regarding Lucent's and AT&T's *commercial* use of Crater's coupler,

evidence that would have defeated their government contractor defense. The Federal Circuit's holding relates directly to these questions, and justifies review by this Court.[1]

Even without the court of appeals' express language regarding the privilege, however, review by this Court would still be appropriate. The Federal Circuit specifically held that Respondents Lucent and AT&T were entitled to summary judgment in this case *because Crater had been given adequate opportunity for discovery as to Respondents' government contractor defense,* but had failed to present evidence opposing that defense. App. 15a. Implicit in this finding is the court's rejection of Crater's arguments regarding the state secrets privilege – the arguments that Crater did not, in fact, get adequate discovery. The Federal Circuit could not have ruled in Respondents' favor without resolving, to Crater's disadvantage, Crater's questions as to the district court's application of the state secrets privilege. This resolution by the Federal Circuit endorses the district court's privilege

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[1] The Federal Circuit's reasoning on this question is somewhat circular. The court states that, because the state secrets privilege could, by definition, be applied only to bar discovery as to Respondents' governmental uses of the coupler, that privilege could not have prevented Crater from discovering relevant evidence as to their commercial uses. App. 19a. However, that is precisely what Crater contends the district court did wrong. Crater claims that the district court went beyond the proper scope (and definition) of the state secrets privilege and misapplied it to prevent Crater from obtaining that relevant, indeed critical, evidence.

rulings, and this Court may, and should, correct this endorsement.[2]

II. THE *EX PARTE* COMMUNICATIONS BETWEEN THE GOVERNMENT ATTORNEY AND THE DISTRICT COURT WERE NOT APPROPRIATE AND CANNOT BE JUSTIFIED BY THE INVOCATION OF THE STATE SECRETS PRIVILEGE.

Respondents' briefs on this point misstate Crater's position. Crater acknowledges that *in camera* proceedings may, in some circumstances, be appropriate in cases where the state secrets privilege has been invoked. However, in this case, the government and the district court went beyond any procedure that has been condoned by this or any other court. The government did not limit itself to the *in camera* presentation of documents, or even to the presentation of sworn testimony by government witnesses. In this case, the government lawyer provided unsworn and unrecorded arguments to the court that

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[2] As an apparent fall-back position, Respondents Lucent and AT&T claim that Crater mischaracterized the record regarding the Danzig declaration. That is not the case. Crater argues that Secretary Danzig was required to review each document for which the privilege was asserted – only in certain specifically limited circumstances is that requirement sometimes excused. *See* Pet. Br. at 16-18. No one in this case has maintained, nor can they, that Secretary Danzig reviewed each document. Not only did the government's attorney admit as much in court, but it is also clear from the record that a substantial number of the documents in question remain in the hands of third-party witnesses, and have not been retrieved or reviewed by any government official. Secretary Danzig's declaration does not state otherwise. *See* Pet. Br. at 16-18; App. 50a, 73a-79a, 114a, 117a-120a.

related directly to the merits of the case. *See* Pet. Br. at 9-10, 21-25; App. 52a-59a, 76a-77a, 85a-86a.

Moreover, these statements were not made, as Respondents suggest, solely at a time when the clarification and/or protection of secret government documents was an issue. Rather, on one occasion, the district court halted a hearing on pending discovery motions and took the government's lawyer to a back room to discuss the merits of those motions, and then ruled in Respondents' favor. Pet. Br. at 10; App. 52a-59a, 44a-47a. It is this type of unauthorized conduct that Crater challenges here.

III. THE QUESTION OF THE SUFFICIENCY OF THE EVIDENCE SUPPORTING RESPONDENTS' MOTION TO DISMISS IS PROPERLY BEFORE THIS COURT.

Respondents Lucent and AT&T argue, first, that the question of the sufficiency of the Rominski affidavit was not decided by the Federal Circuit, and is, therefore, not properly before this Court, and, second, more generally, that the question of the sufficiency of Respondents' summary judgment evidence is not important enough to merit this Court's attention. Respondents are mistaken on both points.

Crater argues on this appeal that Respondents did not present sufficient evidence to support their motion to dismiss (later granted by the Federal Circuit as a motion for summary judgment). Pet. Br. at 11-13, 25-29. The sufficiency of the Rominski affidavit is critical to this determination. Because that affidavit was not based on the witness's personal knowledge, it could not have supported Respondents' motion and could not have served to shift the burden to Crater to submit evidence in opposition to that motion. Whether or not the Federal Circuit

expressly acknowledged that it was so finding, it could not have ruled against Crater on this issue without determining that the affidavit was acceptable.

There was, in fact, no evidence, properly submitted, to support Respondents' motion. The Rominski affidavit was deficient, and Crater had no opportunity to respond to any of the rest. Because the district court departed from established, and explicit, rules of procedure – and misstated and misapplied the law relating to those rules – and because the Federal Circuit sanctioned these departures, Crater was deprived of substantial rights, and lost this case without a fair hearing.

This Court's review of the procedures followed by the district court, and affirmed by the Federal Circuit, is required by those courts' substantial departure from the accepted and usual course of judicial proceedings, and from the rules governing those proceedings. Sup. Ct. Rule 10(a).

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted,

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